

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,889

Wednesday July 31 1985

D 8523 B

Star wars: what the technology means, Page 15

World news Business summary

Damascus supplies tanks to Shias

Syria supplied Assad, the mainstream militia of the Shia sect in Lebanon, with up to 50 T-54 tanks, in a move probably aimed at pressuring the Maronite Christians into agreeing to constitutional and political reforms.

Assad has not previously possessed tanks but is the largest Lebanese militia with an estimated 8,000 men under arms. The tanks will give the movement military superiority over the Christian Lebanese forces. Page 18

Ambassador recalled

South Africa recalled its ambassador to the U.S. for consultation. A foreign affairs spokesman in Pretoria declined to give reasons for the recall. Page 6

Tutu refusal

Bishop Desmond Tutu, last year's Nobel Peace Prize winner, refused to renounce civil disobedience in the fight against apartheid. Page 6

Okello sees Nyerere

Uganda's new head of state, General Tito Okello, flew to Dar es Salaam for talks with Tanzania's President Julius Nyerere. The opposition Democratic Party is backing the new regime, but the National Resistance Army rebels are not. Page 6

Wine arrests

Austrian police arrested four more men, including a West German, in connection with the country's wine-doctoring scandal, lifting the number of detentions to 20.

Sikh shooting

Shooting broke out in Amritsar between supporters and opponents of a Punjab peace plan during a meeting in the Golden Temple of moderate Sikhs who back the agreement signed last week. Page 6

U.S. base review

Spain wants to start reviewing the position of four U.S. bases on its soil in October to bring them into line with the new strategic implications of Spanish membership of Nato.

Afghan rebels killed

Soviet bombers killed 120 Afghan troops in an operation to attack guerrillas. Rebels launched a night-long attack on Kabul airport, according to Western diplomats.

Air safety accord

Japan, the U.S. and the Soviet Union agreed in Tokyo to set up a communications system to assure the safety of civil aviation over the northern Pacific.

BBC film withdrawn

The BBC will not show a film about political violence in Northern Ireland which includes an interview with a man said to be the chief of staff of the Provisional IRA. The withdrawal of the film follows a protest by Prime Minister Margaret Thatcher. Page 8

Bomb in Tehran

A bomb which exploded in Tehran outside a public telephone killed three people and injured five others.

Funeral delay

France is keeping for two weeks the body of Shahinaz Bhutto, found dead in Cannes two weeks ago, to test for poison. In Pakistan supporters of his executed father, former Premier Zulfikar Ali Bhutto, plan to defy a travel ban to attend his son's now delayed funeral in the province of Sind.

Israeli alert

Israeli police were put on alert against possible retaliation, and the West Bank town of Nablus was under curfew after a Jewish civilian was shot dead. Page 6

Britoil issue to raise £434m

THE UK Government will receive about £434m (\$618m) from the sale of its remaining 49 per cent in Britoil, the world's largest independent oil exploration company. The shares are being offered at 185p compared with the closing price of 200p in London. Page 8

WALL STREET: The Dow Jones industrial average closed 2.34 up at 1,346.10. Page 38

LONDON was bolstered by hopes of a further cut in base rates. The FT Ordinary index rose 3.5 to 836.0. Page 38

TOKYO stocks were lower and the Nikkei Dow market average plunged 321.33, its second largest ever one-day loss, to close at 12,949.89. Page 38

DOLLAR showed small mixed changes in London, falling to DM 2.817 (DM 2.819) and FF 8.57 (FF 8.59), but rising to SwFr 2.2955 (SwFr 2.298) and Y237.3 (Y237.1). On Bank of England figures the dollar's exchange rate index was unchanged at 134.8. Page 31

STERLING was weaker in London, losing 10 points against the dollar to £1.233. It also declined to DM 4.0 (DM 4.03), FF 12.175 (FF 12.265), Lst 3.276 (Lst 3.27) and Y336.75 (Y338.5). The pound's exchange rate index fell 0.3 to 84.4. Page 31

GOLD fell \$2.50 on the London bullion market to \$325.75. It was also lower in Zurich at \$324.90. Page 30

NEW YORK: The Comex August settlement was \$324.00.

BRAZIL'S inflation rate for July was 8.9 per cent, the highest under the Sarney government, but the target of 180-190 per cent for the year may be met.

WORLD BANK recommended a 10 per cent devaluation of Tunisia's dinar to help boost exports.

CHINA'S economy is still expanding, with industrial output almost three times greater than planned. Page 6

NATIONAL WESTMINSTER, the UK's second-largest bank, boosted its pre-tax profits by 20 per cent to £364m (\$503m) in the first half of the year. These first results in the bank's interim reporting season were well below expectations. Page 8; Details, Page 29; Lst, Page 16

BRIDGESTONE, Japan's largest tyre maker, lifted pre-tax profits 15 per cent to ¥21.12bn (\$89m) from ¥18.57bn in the half year to June 30. Page 20

SWISSAIR, Switzerland's national airline, expects a further rise in earnings for the current year after it recorded an almost 8 per cent increase in 1984 to SwFr 60.7m (\$36.6m).

MANNSMANN chief executive Franz Josef Wenzel died yesterday, aged 57, after a brief illness. Page 17

HANSON TRUST is to sell Interstate United, its U.S. food service outfit, to TransWorld for \$92.5m. Page 23

BANKAMERICA, which reported a \$338m second quarter loss, announced it was cutting 2,000 jobs at its world banking division as part of a restructuring move designed to improve profitability.

KEROX, the U.S. office equipment group, reported a 35 per cent gain in second quarter earnings to \$118m against \$89m previously. Page 17

ROBERT BOSCH, the West German electrical and vehicle components concern, has merged its two manufacturing companies in Spain to help streamline operations and cut costs. Page 17

HILL SAMUEL, New Zealand's merchant bank, has joined a leading New Zealand stock broker, Francis, Allison, Symes and Company, to set up an investment bank. Page 20

Japan will expand home market to ease trade tension

By JUREK MARTIN, FAR EAST EDITOR, IN TOKYO

MR YASUHIRO NAKASONE, Japan's Prime Minister, yesterday promised to expand the domestic economy in a further attempt to resolve trade friction and forestall protectionism.

In a statement and a televised press conference accompanying the announcement of Japan's new three-year "import action programme," Mr Nakasone said: "I believe efforts to expand domestic demand are required together with market liberalisation."

The package includes 88 measures designed to ease import procedures, promises to raise the number of government contracts awarded through competitive bidding, a relaxation of interest rate controls, and an easing of regulations on weight limits and crew numbers for commuter aircraft, as well as the elimination or reduction of tariffs on about 1,800 items and a pledge to discuss market access for 22 agricultural products subject to quotas.

Reacting to the package in Washington, Mr Larry Speakes, the White House spokesman, called the measures "encouraging" and cited the capital market liberalisation as progress "we have long encouraged."

National trade associations met yesterday to consider the measures, but those prepared to comment generally expressed scepticism.

In Brussels, the European Commission was reserving judgment. M Jacques Delors, the Commission's President, said the package would be studied in detail before the October talks between the EEC and Japan.

Mr Nakasone announced the creation of a special working group, including Cabinet and leading party officials, to produce recommendations on expanding domestic demand. It is to report in the next few months. He said the focus would be on policies advanced by an earlier advisory committee report, under the former Foreign Minister, Mr Saburo Okita, published in April.

Its ambitions, but still general, agenda, which Mr Nakasone carefully reiterated yesterday, includes further deregulation, the spread of

The U.S. trade deficit jumped to \$13.4bn in June, its highest level since the \$13.3bn deficit recorded in July 1984. The increase was spurred by a surge in imports from Japan and a sharp rise in oil imports. The news brought another plea from Commerce Secretary Malcolm Baldrige for a further substantial drop in the value of the dollar. Page 6

Although Mr Nakasone stressed that the Government was still bound to a course of fiscal austerity brought on by its indebtedness, his commitment represents a significant shift in official policy. It was widely interpreted in Japan as reflecting the genuine concern in Tokyo that the U.S. Congress and perhaps, in its wake, the European Community, is about to embark on serious retaliation against Japanese exports.

Japan, Mr Nakasone said, now faced "a critical moment in its fight against protectionism. It was imperative that Japan dispelled what he called the erroneous foreign perception that it discriminated against foreign goods and services or was irresponsible in playing an insufficient role in the global economy."

Although the import action programme was fleshed out with a wealth of detail yesterday, even Japanese officials concede it can make little difference to the nation's trade surplus in the short term and certainly not before the

Continued on Page 16

Background, Page 3

Peru set for austerity package as banks shut

By HUGH O'SHAUGHNESSY IN LONDON

PRESIDENT Alan Garcia of Peru yesterday announced the closure of all banks and other financial institutions for 48 hours. They are due to reopen for business tomorrow.

There is wide speculation in Lima that the move signals the implementation of a tough new economic austerity programme, the devaluation of the inti and the imposition of exchange controls.

The 36-year-old Social Democratic leader was installed as President on Sunday.

In his inaugural speech, he said that Peru was in a grave economic crisis, that he would limit service payments in the \$14bn foreign debt to no more than 10 per cent of

Peru's export income and that there would be an austerity programme independent of the demands of the International Monetary Fund.

Peru is deeply in arrears with payments of capital and interest on its foreign debt. The arrears are expected to reach \$1bn by the end of the year.

The banks did not open on Monday, which was a public holiday.

Despite Peru's severe economic problems President Garcia's predecessor, President Fernando Belaunde, did not impose exchange controls and brushed aside criticism of his generally passive attitude to financial matters.

The incoming Garcia Government is committed to sweeping away unproductive investment plans proposed by the Belaunde administration and doing its best to revive local industry and agriculture from its present deep recession.

The cost of living has risen by more than 100 per cent in the last 12 months and the rate of increase is accelerating. Only about one-third of the Peruvian workforce is in full-time employment.

Banks with Peruvian government obligations have been disposing of them at very deep discounts - in many cases well over 25 per cent.

Italy plans to sell state bank stake to European institutions

By ALAN FRIEDMAN IN MILAN

S. G. WARBURG, the UK merchant bank, and Soditec, the Swiss bank which is 40 per cent owned by Warburg, have been discussing with institutional investors the possible £100m (\$142m) partial privatisation of Banca Commerciale Italiana (BCI), Italy's second largest state-owned bank.

Institutions in London would be offered about £30m-£50m worth of BCI shares, with the remainder to be sold in Italy and elsewhere in Europe.

IRI, the Italian state holding group which owns 87.8 per cent of BCI, is to discuss at a board meeting in Rome tomorrow prospects for the placement of 11m shares, 13 per cent of BCI, with investors in Italy and abroad.

In the UK investors have reportedly been receptive to the soundings taken by Warburg in the past few days.

Although the placement under discussion would see IRI's control of BCI diminished by only 13 per cent to 74.8 per cent, it is understood that a medium-term goal is to place a total of 25 per cent of the IRI-held shares in private hands.

If the plan is approved by the IRI board it will represent a significant

step forward for the state holding group, which under the chairmanship of Prof Romano Prodi, has been trying to place more state-owned in the private sector.

BCI shares stood at £24,000 (\$31,200) on the Milan Bourse yesterday. At this price a 13 per cent stake would have a market value of about £29.2m. The placing price is likely to involve a discount on the bourse price.

In Italy, Mediobanca, the powerful IRI-controlled merchant bank, would handle the placing of about half the 13 per cent stake in BCI.

Warburg and its Rome & Pitman stockbroking arm would handle the placement of just over 5m shares. Soditec, the Geneva-based Warburg affiliate, would also join in the placing operation.

The BCI share placement plan comes at a delicate time for the IRI group, which is still recovering from the debacle of its attempted privatisation of the SME foods group.

In April IRI signed an agreement to sell its SME subsidiary for £49.7m to Sig Carlo de Benedetti, but the proposed deal quickly ran

into heavy opposition from Prime Minister Bettino Craxi and then degenerated into a political feud.

IRI is likely to be discussing at its board meeting tomorrow how to proceed on the several counter-offers it has received for SME now that political interference has disrupted the original privatisation plan.

The most recent example of the privatisation of an Italian state bank came in May when IRI's Banco di Roma sold its 74 per cent of the Naples-based Banca Centro Sud to Citicorp of the U.S. for \$130m.

Banca Commerciale reported a 64 per cent leap in its 1984 net profits, to £1.21bn. The bank's total deposits at year end amounted to £2,370bn, a rise of a quarter on 1983.

BCI expects an important new capital increase from IRI, which should further enhance its attractiveness to investors. The bank's present capital base stands at £420bn.

BCI, with its headquarters in Milan's Piazza Scala, has 19,000 employees, 443 branches in Italy, 12 branches abroad and 19 representative offices abroad.

Restrained tone by Soviet Union at Helsinki

By Robert Mauthner, Diplomatic Correspondent, in Helsinki

MR EDUARD SHEVARDNADZE, yesterday marked his first appearance at an international conference since becoming Soviet Foreign Minister four weeks ago with a noticeably moderate appeal to the U.S. for co-operation on a relaxation of international tensions.

Mr Shevardnadze's speech - to the conference celebrating the 10th anniversary of the signing by 35 countries of the Helsinki agreement on Security and Co-operation in Europe - was free of the sharp rhetoric which had characterised the most recent declarations of his predecessor, Mr Andrei Gromyko.

But though the tone was more conciliatory, there was little indication in the speech of a narrowing of the gap between the U.S. and the Soviet Union on essential issues such as nuclear arms control, the American space weapons research programme and respect of human rights.

If anything, the contribution to the proceedings of Mr George Shultz, the U.S. Secretary of State, sharply underlined the disagreement between the two countries in this field. Mr Shultz, who is due to have his first private meeting with his Soviet counterpart today, devoted almost his entire speech to the human rights provisions of the Helsinki agreement.

If any single lesson had emerged from the 10-year history of that agreement, Mr Shultz said, it was "precisely that the interests of individual human beings are a fundamental part of security and stability in Europe."

Among specific human rights violations referred to by Mr Shultz were the sharp fall in the number of Soviet Jews allowed to emigrate from 51,000 in 1979 to 896 in 1984 and more than 20 cases of American/Soviet marriages in which the Soviet spouse had been denied exit permission.

Mr Shultz also spoke of the dire plight of members of the Soviet-Helsinki Agreement monitoring groups, two of whom, Mr Yuri Orlov and Mr Anatoly Shcharansky, were currently languishing in Soviet labour camps. Mr Andrei Sakharov, the Nobel peace prize winner and "the man who more than any other represents the ideal enshrined in the final act," remained totally isolated from the world in internal exile, Mr Shultz said.

Continued on Page 16

EEC seeks joint line on sanctions, Page 2; Shultz under pressure, Page 6; Editorial comment, Page 14

UK employers warn of check to economy

By MAX WILKINSON IN LONDON

THE PACE of economic recovery in the UK is showing some signs of slowing, the Confederation of British Industry (CBI) said yesterday.

The group's latest quarterly survey of more than 1,500 manufacturing companies showed, however, that demand and output were growing quite strongly in the second quarter of the year, with evidence that inflationary pressures are declining.

Companies reported that they are making much fuller use of their available capacity, and most are expecting output to continue to rise through the summer and early autumn, although at a slower rate.

The CBI warned, however, that the survey suggested that the recovery could be "losing some of its momentum" for several reasons.

● Optimism about future export prospects fell sharply compared with the levels recorded in previous quarterly surveys.

● The rate of increase of export orders was also less than in the earlier part of the year. Export prices also appeared to be squeezed.

● Manufacturers are continuing to lay off workers after a brief period when there was evidence that the shake-out of labour might be coming to an end.

● Investment in plant and machinery is likely to stop growing in the next 12 months, although for 1985

as a whole investment is expected to rise by 7 per cent after a rise of 14 per cent in 1984.

● Optimism about the general business situation showed no overall increase in July, with 68 per cent of companies saying their views were unchanged. This compared with a significant rise in optimism in April, but is roughly in line with the results of the October and January surveys.

Mr David Wigglesworth, chairman of the CBI's economic situation committee said: "The first half of the year has been a good one for manufacturing industry, but business is now revising its forecast of growth downwards, faced with continued high interest rates and the consequent depreciation of the pound."

The survey was conducted earlier this month when British banks' base lending rates were 12½ per cent rather than the present 11½ per cent. Mr Wigglesworth said this fall would make little difference to the overall picture and he believed the CBI's forecast of overall economic growth of 4 per cent this year would be lowered.

"However, this would only bring the CBI back into line with the consensus of other forecasters, including..."

Continued on Page 16

Details, Page 10

Reduced lending to non-BIS countries

By ALEXANDER NICOLL IN LONDON

INTERNATIONAL bank lending to countries outside the industrialised world contracted in the first quarter of 1985, for the first time since the Bank for International Settlements (BIS) began compiling the data in 1974.

The \$2.4bn decline in loans outstanding to these countries - which include developing nations and Eastern Europe as well as some developed countries - was accompanied by a \$3.8bn decline in their deposits with the banks, a marked reversal from a \$9.7bn increase in the preceding three months.

The statistics meant that countries outside the BIS reporting area - the major industrialised countries and offshore banking centres - "returned to the role of a net taker of funds, although only on a very modest scale, after having supplied a net amount of \$15.4bn to the banks during 1984," the BIS said.

The bulk of the contraction in lending was accounted for by non-OPEC developing countries, particularly Israel and Egypt where the movements of funds appeared to be largely seasonal. Banks' claims on Latin America, the region worst hit by the international debt crisis, fell by \$600m in the first quarter.

The Latin American countries, which had been building up reserves held on deposit at international banks since the first quarter of 1983, reduced them by \$300m, with Colombia and Peru both showing relatively large drawdowns.

The BIS, based in Basle, Switzerland, reported that total lending across borders by international banks showed a healthy \$53bn increase, well ahead of the \$32.5bn growth recorded in the same quarter of 1984.

Background, Page 17

CONTENTS

Europe	2	Editorial comment	14
Companies	17, 19	Eurobonds	17, 18
America	6	Euro-options	34
Companies	17, 18	Financial Futures	31
Overseas	6	Gold	17, 18
Companies	20	Int'l Capital Markets	17, 18
World Trade	3	Letters	15, 16
Britain	8, 10	Management	12
Companies	22-26	Market Monitors	35
		Men and Matters	14
		New Markets	16
		Raw materials	30
		Resources review	10
		Stock markets - Bourses	35, 36
		Wall St	35-36
		London	32-34, 35
		Technology	12
		Unit Trusts	27-28
		Weather	16

Banking: Languetin prescribes monetary stability	2
South Africa: repatriation threat rings hollow	3
Resources: Saskatchewan's key uranium market	10
Management: what barter means to Renault Trucks	12
Editorial comment: Soviet foreign policy; Eurofighter	14

City of London: salaries keep on rising	14
Star wars technology: A to Z of what it means	15
Eurofighter: why Dassault may go it alone	16
Lex: Britoil; NatWest; Debenhams/Burtens	16
West Germany: MTU gears up for post-Tornado era	19

ATTENTION ALL COMMODITY TRADERS

WEST STAR COMMODITIES LIMITED OF LONDON, ENGLAND

Princeton Research, Inc. OF LOS ANGELES, CALIFORNIA

ARE PRIVILEGED TO ANNOUNCE

THE MATRIX GUARDIAN SYSTEM

MATRIX, THE TRADING SYSTEM, AVERAGED \$88,324.00 PER YEAR IN NET PROFITS OVER THE LAST 11 YEARS... FOR A TOTAL OF OVER \$971,000.00. MAXIMUM DRAWDOWN... ONLY \$22,218. ADD GUARDIAN, THE MONEY MANAGEMENT SYSTEM, AND MATRIX/GUARDIAN AVERAGED \$2,316,177.00. MAXIMUM DRAWDOWN... ONLY \$41,992. MATRIX/GUARDIAN is available as a software package for the APPLE... IBM/PC... or the "handheld" HP 41CV computers, and requires no computer or even commodity experience to utilise. Everything one needs to know to use the system in the market will be taught at an intensive two-day seminar. THE MATRIX/GUARDIAN COMBINATION IS THE MOST POWERFUL FUTURES TRADING PROGRAM EVER DEvised... WHICH ACCOUNTS FOR THE EXTREMELY HIGH PROFITS COUPLED WITH THE INCREDIBLY LOW EQUITY DRAWDOWNS.

MATRIX The Trading System
... is a pure departure from the norm. It is based upon principles that are known to only a few traders. Matrix approaches the market from a whole new and different perspective which enables it to trade successfully with minimum drawdown even under the most adverse market conditions.

GUARDIAN The Money Management System
... when used to its full potential increased the total profit from \$971,000 to \$2,316,177... 2.38 times. Yet the equity drawdown was actually decreased from 2.29% of net profit to 1.81%. Guardian can also be used as a "stand alone" money management system... with any other trading system.

MATRIX/GUARDIAN will be offered at the following seminars or as a mail-order package.

SEPTEMBER 5-6 ROYAL GARDEN HOTEL LONDON.
SEPTEMBER 10-11 INTERCONTINENTAL HOTEL FRANKFURT.
SEPTEMBER 13-14 HOTEL PENTA GENEVA.

To receive a free documented brochure on MATRIX/GUARDIAN, use the coupon in this advertisement, or call: 01-517 7171

ANOTHER FIRST... You can, in essence, own MATRIX/GUARDIAN at no cost to you. Yes, there is a way that you can own the system for absolutely nothing. This remarkable option is fully explained in detail inside our brochure...

THE WEST STAR COMMODITIES LTD., EUROPE HOUSE, WORLD TRADE CENTRE, LONDON E1 3AA, ENGLAND. Please send me the documented brochure on THE MATRIX/GUARDIAN SYSTEM.

Name _____
Address _____

Tel. No. _____

I understand I am under no obligation by returning this coupon.

EUROPEAN NEWS

Switzerland's central bank governor discusses European economic policies with William Dullforce and John Wicks

Languetin prescribes 'zone of monetary stability' for Europe

THE TIME is ripe for European central banks and governments to move decisively towards the construction of a "zone of monetary stability" in Europe. This is the conviction of M. Pierre Languetin, president of the Swiss National Bank. An essential element in such moves would be for Britain to join the European Monetary System (EMS), M. Languetin believes.

The need for concerted action within Europe has been heightened in his view by the "unacceptable and unhealthy" situation on the foreign exchange markets this year.

M. Languetin says the dollar's climb to SwFr 2.93 from SwFr 2.25 and subsequent fall back to SwFr 2.35 has demonstrated to investors a "justified apprehension about the volatility of exchange rates."

Europe, he says, should see the seemingly intractable problem of the U.S. budget deficit as a challenge to improve and better coordinate its own monetary and economic policies. Action on the monetary front would have to be complemented by renewed efforts to give reality to the convergence of economic policies among European countries, which has been

postulated since the 1950s. "If you could have on top of a zone of economic and price stability, you would create in the long term (it cannot be done overnight) the necessary fundamental for the European market of the size, importance and efficiency of the U.S. market," M. Languetin says.

The concept underlying his approach is that investors in Europe need a big domestic market — "a real economic area" — similar to that which American and foreign investors enjoy in the U.S. If Europe is to achieve economic growth with price stability and to curb unemployment.

M. Languetin took over the leadership of the Swiss central bank from Dr Fritz Leutwiler at the beginning of this year. He was expected to bring a more subdued style to the office than his outspoken predecessor and, in his first public utterances has contented himself with underlining the continuity of policy at the National Bank.

However, M. Languetin has now spelt out both his apprehensions about European

monetary and economic policies and his feeling that opportunities are there to be grasped.

He speaks with the authority of a central bank governor in whose currency plays a big role on international capital markets. Switzerland is also a member of the Group of Ten industrialised countries (now 11 with Switzerland's accession) which have been studying ways of stabilising the world monetary system.

M. Languetin expects "no spectacular decisions" to come from the annual meeting of the International Monetary Fund (IMF) in Seoul this October, to which both the Group of Ten and the group of 24 developing countries will be reporting on international monetary reform.

He finds it more relevant to concentrate on those countries which bear the greatest responsibility for world economic activity and in particular to focus on ways of accelerating growth in Europe.

Ideally, M. Languetin believes, four conditions need to be met in the short term, to ensure world economic stability and growth:

- Drastic decisions should be

taken to cut the U.S. budget deficit.

- The worldwide fight against inflation must be sustained;
- There should be no refutation through budget deficits in Europe and Japan;
- Greater flexibility must be achieved in capital and other markets to allow adjustments to be made more swiftly.

M. Languetin's prescription for more concerted monetary and economic policies in Europe is addressed primarily to the capitals of the EEC, of which Switzerland is not a member. What then would Switzerland's role be?

The banker reverts to diplomatic phrasing: "If there was a firm determination to move in the monetary field, to move towards greater stability in prices and in foreign exchange, we would seek ways and means of co-operating."

The EMS could not be opened to non-members of the EEC. Here the key was Britain's participation, which would at once help to create "a sense of monetary stability."

Non-members of the community, however, could join in concerted economic policies. But, M. Languetin says, the proper approach would be the

one already applied in Switzerland where priority goes to the fight against inflation and the main instrument is a low annual target for the growth in the money supply.

Switzerland did not take part in the action of central banks last February, led by the West German Bundesbank, to stem the rise in the dollar, but M. Languetin says he sees "some merit" in intervention to give a signal to the market, provided it is carefully concerted by the central banks most concerned.

Intervention in the currency markets could also be useful if a central bank wanted to alter its monetary policy. But, M. Languetin stresses, the Swiss national bank does not favour regular or automatic intervention by central banks.

On the subject of the Swiss franc, he says the bank had set no boundaries for the movement of the franc against the dollar or D-mark at which it would automatically intervene.

It has been generally assumed that the central bank had some switch limit for the franc-D-mark rate, but M. Languetin says the bank wants to preserve its discretion to assess any given situation.

The 2.2 per cent appreciation of the Swiss franc on a trade-weighted basis between mid-June and mid-July was no reason for changing the national bank's position on the money supply, he says. The official target for 1985 is a 2 per cent growth in the monetary base.

Seen against the 6.5 per cent depreciation recorded in 1984, some lost ground has been regained, M. Languetin says.

The national bank was criticised at the beginning of the year for not tightening its monetary target: had it done so, it would now have to change course and could have provoked wider fluctuations in the interest and exchange rates.

The bank says M. Languetin sees no point in jumping at each wave on the currency markets.

The implication of this remark is that the Swiss would expect to have a permanent director in the IMF.

On bank secrecy, M. Languetin says Switzerland is willing to prevent the abuse or misuse of its regulations but "not to the point of self-mutilation."

The authorities are anxious to prevent secrecy being misused to the detriment of Switzerland's reputation.

Unit (Ecu) for private transactions has expanded. This is due to a "financial Kama Sutra" under which all kinds of devices for hedging risk are being developed for investors and borrowers.

On IMF membership, he says the Swiss Federal Council (Government) has taken a decision in principle to join the IMF and the World Bank, but implementation will not take place until after next March's referendum on Swiss accession to the United Nations.

Switzerland's purpose in joining the IMF would not be to become a candidate for standby loans but to contribute to its functioning. Switzerland would "certainly not wish its present influence to be diminished by joining."

Shell makes big oil find off Norway

NORSKE SHELL, a subsidiary of Royal Dutch/Shell, has made a significant oil strike on the Norwegian continental shelf, according to the Norwegian Petroleum Directorate, Reuter reports from Oslo.

The find, on block 6407/9-3 in the Draugen field off central Norway, tested light oil at 15,700 barrels per day, it said. "This is among the best independent results carried out on the Norwegian shelf."

The Directorate said that the test results were obtained through a 50.8mm choke, adding that the results confirmed previous estimates that the field contained approximately 250m barrels of crude.

A Shell spokesman said the company was satisfied with the drilling results and was already drilling a fourth well on the block but it was too early to speculate about development of the field.

However, the company is believed to have discovered hydrocarbons in the fourth well and is currently testing core samples.

The oil Directorate said the total depth of the well was 1,843 metres and it was drilled in 279 metres of water. The oil, discovered in Eider Jurassic sandstone, was light with a low gas content.

Shell, operator of the Draugen field with a 30 per cent ownership share, has discovered oil in all test wells so far drilled.

Coalition in Italy plans city tie-ups

By Alan Friedman in Milan

LEADERS of the parties that make up Italy's ruling coalition have agreed that their five-party formula is to be applied in many of the country's most important local governments. The agreement, heralded a significant change for the administration of Milan, Rome and Turin.

Regional elections last May saw the Christian Democrats, the largest party, win control of the coalition government headed by Sig. Bettino Craxi, a Socialist, strengthen its position.

In Milan, the five-party formula will mean the end of the Socialist-Communist coalition led by Mayor Carlo Tognoli which has been in power for nine years. Sig. Tognoli, who is also a European MP, will remain mayor but the Communists will be forced into opposition. The local coalition will consist instead of Christian Democrats, Socialists, Republicans, Liberals and Social Democrats.

The same formula is likely to be applied in Rome, which has had a Communist mayor for several years, and in Turin, where the Communist coalition has governed. The only northern city likely to retain a Communist leadership will be Bologna.

Amnesty claims out of date, says Turkey

TURKEY CLAIMED yesterday that the latest Amnesty International report on torture was a compilation of the previous year's report, covering mostly allegations concerning the years 1983 and 1984.

"This alone shows the difficulty which Amnesty International faces in gathering material in support of its efforts to secure Turkey," Mr. Yalim Erpal, Foreign Ministry spokesman said.

In another statement, Mr. Erpal said torture was not "systematic" in Turkey as charged by the London-based Amnesty International rights group. Some 105 people accused of torturing prisoners have been prosecuted in Turkey in the last four years, he added.

In its report issued a week ago, Amnesty International claimed: "Torture is widespread and systematic in Turkey."

"Anybody detained in the country for political reasons is at great risk of being tortured and very few detainees are not subjected to some form of ill-treatment in police stations, security forces' interrogation and detention centres and prisons."

The coalition government in the self-proclaimed Turkish-Cypriot state of north Cyprus yesterday said a confidence vote 52-16 in the parliament.

IFO warns on economy

BY PETER BRUCE IN BONN

ONE of West Germany's five major economic institutes warned yesterday that the country's current economic upswing is showing signs of fragility. It also described as "half-hearted" plans to introduce next year a DM 20bn (\$7.1bn) tax cut in two steps instead of one.

The Munich-based IFO-institute said that while growth this year —

forecast at around 2.5 per cent — would probably stretch into 1986 as well, the conservative coalition Government in Bonn was concentrating on cutting its budget deficit to the detriment of domestic investment.

The Government should be actively promoting investment, one institute said. It also called on the

Bundesbank to ease tight monetary policies.

The IFO said in a report that the strength of the recovery lagged well behind earlier ones, chiefly because of a collapse in domestic construction activity. Even if the recovery continued to the end of next year, unemployment figures would hardly be affected.

MINISTERS TO DISCUSS SOUTH AFRICA AT HELSINKI GATHERING

EEC seeks joint line on sanctions

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN HELSINKI

THE FOREIGN MINISTERS of the 10 European Community member states will meet here today in the margins of the conference celebrating the 10th anniversary of the Helsinki Agreement, in another attempt to co-ordinate their policies towards South Africa.

The chances of success, however, are slim, given the different directions that some of the member states, like Britain and France, have taken since the EEC foreign ministers' discussions of the subject in Brussels little more than a week ago.

On that occasion, the ministers called on the South African Government to lift the state of emergency imposed in large parts of the country, and decided to stiffen the EEC code of conduct for European companies operating in South Africa.

Only a few days later, however, France banned all new investments in South Africa and withdrew its ambassador from Pretoria.

Britain and West Germany, on the other hand, have made clear that they will not adopt economic sanctions against South Africa, because such sanctions are deemed to have proved ineffective in the past and would hurt the black population more than the whites.

Sir Geoffrey Howe, the British Foreign Secretary, meanwhile, said Mr. Stefan Ozkarski, the Polish Foreign Minister, when they met yesterday that the pos-



The new Soviet Foreign Minister, Mr. Eduard Shevardnadze (front right), makes his international debut at the conference celebrating the 10th anniversary of the Helsinki Accord. He is seen shaking hands with Mr. George Shultz, the U.S. Secretary of State, at the opening ceremony.

sibility of Britain granting bilateral credits to Warsaw had improved following the recent rescheduling of Poland's debt by the Paris Club of creditor nations.

He emphasised, however, that in the minds of the British

people there was a link between economic assistance to a country and its respect for human liberties. The granting of credits could not therefore be considered as automatic.

Britain was particularly concerned about the three-fold increase in the number of political prisoners in Poland since the two foreign ministers had last met in April this year, and was looking for progress by Poland in the human rights field.

cerned about the three-fold increase in the number of political prisoners in Poland since the two foreign ministers had last met in April this year, and was looking for progress by Poland in the human rights field.

Poland repeats call for S. Africa sanctions

BY CHRISTOPHER DOMINSKI IN WARSAW

MR JERZY URBAN, Poland's foreign minister, yesterday reiterated his country's backing for sanctions against South Africa and asserted that in his view they could be effective.

The statement comes from a man who, over the past three years, has regularly used his considerable political skills to demonstrate to the U.S. and

other Western countries, the folly of maintaining sanctions against Poland. Indeed, some of Mr. Urban's statements stressing that sanctions against Poland will do more to hurt the population, while the government will always be able to feed itself, have come to be etched deep in the popular memory.

Ironically, many of his argu-

ments have been repeated in recent weeks by White House spokesmen speaking against a policy of sanctions against Pretoria.

Yesterday, however, Mr. Urban said that South Africa "remained a concentration camp for many of its inhabitants" and that Poland "had always supported sanctions against the country because its

policies run counter to human rights and many United Nations resolutions."

The Polish situation could not be compared with South Africa, he asserted indignantly. "The links which the U.S. and other Western countries had with Pretoria were so considerable that 'sanctions could well lead to a change in the policies of apartheid'."

Romania reorganises engineering industry

BY DAVID BUCHAN IN LONDON

THE ROMANIAN Government has reorganised its sizeable engineering industry by creating two ministries, going against the trend elsewhere in the Soviet bloc towards amalgamating industrial ministries and abolishing their role in day-to-day supervision of enterprises.

The heavy equipment sector and the electrical engineering sector are to be run by ministries separate from the ministry for the machine-building industry, the official Romanian news agency reported this week.

No reason was given, but reorganisations are a distinctive characteristic of the Government of President Nicolae Ceausescu. The latest move is probably in line with the President's oft-stated belief that his country needs more, not less, central direction.

By contrast, Hungary now has only one ministry to supervise all branches of its industry, and in the Soviet Union Mr. Mikhail Gorbachev has complained of the proliferation of industrial ministries.

Soares wants reform of constitution

SR MARIO SOARES, Portugal's Prime Minister, will support constitutional reforms to ensure greater political stability and introduce more flexibility into the state-dominated economy if he is elected president next January.

The Socialist leader was speaking in a television interview that he turned into a major pre-campaign speech for his presidential bid.

Mr. Soares, who is heading a caretaker Government until an early parliamentary election in October, said he would like to see the constitution changed so that a government could not be brought down unless its opponents guaranteed a viable alternative.

French to cut import duty on alcohol

BRUSSELS — France, under pressure from the EEC, has agreed to lessen protection for its alcohol producers by reforming its alcohol monopoly, the EEC said yesterday.

It said a French import duty, known as the "boule", would be removed from all alcohol except that distilled from sugar beets. The change will take effect on September 1.

The EEC commission had charged in June 1984 that the French monopoly was protecting national production of alcohol by making imports from other EEC member states more expensive, notably through the use of the import duty.

FINANCIAL TIMES
Published by Financial Times (Europe) Ltd., 10, Abchurch Lane, London EC4N 3DF, and 10, Boulevard de la Woluwe, 1200 Brussels, Belgium. Registered in England. No. 104048. Registered office: 10, Abchurch Lane, London EC4N 3DF. Telephone: 071-562500. Telex: 940000. Cable: FT. Second class postage paid at New York, N.Y., and at additional mailing offices. POSTMASTER: Send address changes to FINANCIAL TIMES, 14 East 68th Street, New York, N.Y. 10022.

GRAND METROPOLITAN HOTELS LIMITED

(GRAND METROPOLITAN PLC)

800,000,000 Lux. Frs 6½% BONDS DUE 1987

We hereby give notice that, in accordance with the terms of the above-mentioned loan, Bonds for the principal amount of Lux. Frs 800,000,000 have been drawn in the presence of a Notary Public on July 17, 1985 for redemption at par on September 1, 1985.

Principal amount of Bonds purchased by the company: nil

The following Bonds have been drawn and may be presented to Kredietbank S.A. Luxembourg, 43, Boulevard Royal, Luxembourg or to other Paying Agents named on the Bonds:

000	00220	00440	00660	00880	01100	01320	01540	01760	01980	02200	02420	02640	02860	03080	03300	03520	03740	03960	04180	04400	04620	04840	05060	05280	05500	05720	05940	06160	06380	06600	06820	07040	07260	07480	07700	07920	08140	08360	08580	08800	09020	09240	09460	09680	09900	10120	10340	10560	10780	11000	11220	11440	11660	11880	12100	12320	12540	12760	12980	13200	13420	13640	13860	14080	14300	14520	14740	14960	15180	15400	15620	15840	16060	16280	16500	16720	16940	17160	17380	17600	17820	18040	18260	18480	18700	18920	19140	19360	19580	19800	20020	20240	20460	20680	20900	21120	21340	21560	21780	22000	22220	22440	22660	22880	23100	23320	23540	23760	23980	24200	24420	24640	24860	25080	25300	25520	25740	25960	26180	26400	26620	26840	27060	27280	27500	27720	27940	28160	28380	28600	28820	29040	29260	29480	29700	29920	30140	30360	30580	30800	31020	31240	31460	31680	31900	32120	32340	32560	32780	33000	33220	33440	33660	33880	34100	34320	34540	34760	34980	35200	35420	35640	35860	36080	36300	36520	36740	36960	37180	37400	37620	37840	38060	38280	38500	38720	38940	39160	39380	39600	39820	40040	40260	40480	40700	40920	41140	41360	41580	41800	42020	42240	42460	42680	42900	43120	43340	43560	43780	44000	44220	44440	44660	44880	45100	45320	45540	45760	45980	46200	46420	46640	46860	47080	47300	47520	47740	47960	48180	48400	48620	48840	49060	49280	49500	49720	49940	50160	50380	50600	50820	51040	51260	51480	51700	51920	52140	52360	52580	52800	53020	53240	53460	53680	53900	54120	54340	54560	54780	55000	55220	55440	55660	55880	56100	56320	56540	56760	56980	57200	57420	57640	57860	58080	58300	58520	58740	58960	59180	59400	59620	59840	60060	60280	60500	60720	60940	61160	61380	61600	61820	62040	62260	62480	62700	62920	63140	63360	63580	63800	64020	64240	64460	64680	64900	65120	65340	65560	65780	66000	66220	66440	66660	66880	67100	67320	67540	67760	67980	68200	68420	68640	68860	69080	69300	69520	69740	69960	70180	70400	70620	70840	71060	71280	71500	71720	71940	72160	72380	72600	72820	73040	73260	73480	73700	73920	74140	74360	74580	74800	75020	75240	75460	75680	75900	76120	76340	76560	76780	77000	77220	77440	77660	77880	78100	78320	78540	78760	78980	79200	79420	79640	79860	80080	80300	80520	80740	80960	81180	81400	81620	81840	82060	82280	82500	82720	82940	83160	83380	83600	83820	84040	84260	84480	84700	84920	85140	85360	85580	85800	86020	86240	86460	86680	86900	87120	87340	87560	87780	88000	88220	88440	88660	88880	89100	89320	89540	89760	89980	90200	90420	90640	90860	91080	91300	91520	91740	91960	92180	92400	92620	92840	93060	93280	93500	93720	93940	94160	94380	94600	94820	95040	95260	95480	95700	95920	96140	96360	96580	96800	97020	97240	97460	97680	97900	98120	98340	98560	98780	99000	99220	99440	99660	99880	100100	100320	100540	100760	100980	101200	101420	101640	101860	102080	102300	102520	102740	102960	103180	103400	103620	103840	104060	104280	104500	104720	104940	105160	105380	105600	105820	106040	106260	106480	106700	106920	107140	107360	107580	107800	108020	108240	108460	108680	108900	109120	109340	109560	109780	110000	110220	110440	110660	110880	111100	111320	111540	111760	111980	112200	112420	112640	112860	113080	113300	113520	113740	113960	114180	114400	114620	114840	115060	115280	115500	115720	115940	116160	116380	116600	116820	117040	117260	117480	117700	117920	118140	118360	118580	118800	119020	119240	119460	119680	119900	120120	120340	120560	120780	121000	121220	121440	121660	121880	122100	122320	122540	122760	122980	123200	123420	123640	123860	124080	124300	124520	124740	124960	125180	125400	125620	125840	126060	126280	126500	126720	126940	127160	127380	127600	127820	128040	128260	128480	128700	128920	129140	129360	129580	129800	130020	130240	130460	130680	130900	131120	131340	131560	131780	132000	132220	132440	132660	132880	133100	133320	133540	133760	133980	134200	134420	134640	134860	135080	135300	135520	135740	135960	136180	136400	136620	136840	137060	137280	137500	137720	137940	138160	138380	138600	138820	139040	139260	139480	139700	139920	140140	140360	140580	140800	141020	141240	141460	141680	141900	142120	142340	142560	142780	143000	143220	143440	143660	143880	144100	144320	144540	144760	144980	145200	145420	145640	145860	146080	146300	146520	146740	146960	147180	147400	147620	147840	148060	148280	148500	148720	148940	149160	149380	149600	149820	150040	150260	150480	150700	150920	151140	151360	151580	151800	152020	152240	152460	152680	152900	153120	153340	153560	153780	154000	154220	154440	154660	154880	155100	155320	155540	155760	155980	156200	156420	156640	156860	157080	157300	157520	157740	157960	158180	158400	158620	158840	159060	159280	159500	159720	159940	160160	160380	160600	160820	161040	161260	161480	161700	161920	162140	162360	162580	162800	163020	163240	163460	163680	163900	164120	164340	164560	164780	165000	165220	165440	165660	165880	166100	166320	166540	166760	166980	167200	167420	167640	167860	168080	168300	168520	168740	168960	169180	169400	169620	169840	170060	170280	170500	170720	170940	171160	171380	171600	171820	172040	172260	172480	172700	172920	173140	173360	173580	173800	174020	174240	174460	174680	174900	175120	175340	175560	175780	176000	176220	176440	176660	176880	177100	177320	177540	177760	177980	178200	178420	178640	178860	179080	179300	179520	179740	179960	180180	180400	180620	180840	181060	181280	181500	181720	181940	182160	182380	182600	182820	183040	183260	183480	183700	183920	184140	184360	184580	184800	185020	185240	185460	185680	185900	186120	186340	186560	186780	187000	187220	187440	187660	187880	188100	188320	188540	188760	188980	189200	189420	189640	189860	190080	190300	190520	190740	190960	191180	191400	191620	191840	192060	192280	192500	192720	192940	193160	193380	193600	193820	194040	194260	194480	194700	194920	195140	195360	195580	195800	196020	196240	196460	196680	196900	197120	197340	197560	197780	198000	198220	198440	198660	198880	199100	199320	199540	199760	199980	200200	200420	200640	200860	201080	201300	201520	201740	201960	202180	202400	202620	202840	203060	203280	203500	203720	203940	204160	204380	204600	204820	205040	205260	205480	205700	205920	206140	206360	206580	206800	207020	207240	207460	207680	207900	208120	208340	208560	208780	209000	209220	209440	209660	209880	210100	210320	210540	210760	210980	211200	211420	211640	211860	212080	212300	212520	212740	212960	213180	213400	213620	213840	214060	214280	214500	214720	214940	215160	215380	215600	215820	216040	216260	216480	216700	216920	217140	217360	217580	217800	218020	218240	218460	218680	218900	219120	219340	219560	219780	220000	220220	220440	220660	220880	221100	221320	221540	221760	221980	222200	222420	222640	222860	223080	223300	223520	223740	223960	224180	224400	224620	224840	225060	225280	225500	225720	225940	226160	226380	226600	226820	227040	227260	227480	227700	227920	228140	228360	228580	228800	229020	229240	229460	229680	229900	230120	230340	230560	230780	231000	231220	231440	231660	231880	232100	232320	232540	232760	232980	233200	233420	233640	233860	234080	234300	234520	234740	234960	235180	235400	235620	235840	236060	236280	236500	236720	236940	237160	237380	237600	237820	238040	238260	238480	238700	238920	239140	239360	239580	239800	240020	240240	240460	240680	240900	241120	241340	241560	241780	242000	242220	242440	242660	242880	243100	243320	243540	243760	243980	244200	244420	244640	244860	245080	245300	245520	245740	245960	246180	246400	246620	246840	247060	247280	247500	247720	247940	248160	248380	248600	248820	249040	249260	249480	249700	249920	250140	250360	250580	250800	251020	251240	251460	251680	251900	252120	252340	252560	252780	253000	253220	253440	253660	253880	254100	254320	254540	254760	254980	255200	255420	255640	255860	256080	256300	256520
-----	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------

WORLD TRADE NEWS

Washington reacts with caution

By Nancy Dunne in Washington

THE WHITE HOUSE reacted cautiously to the Japanese package. However, Mr. Larry Speakes, the White House spokesman, called aspects of the market-opening "encouraging," particularly the steps announced on capital market liberalisation.

Many trade groups were huddled in meetings yesterday to examine the Japanese plan, but those ready to comment eyed the Japanese initiative with scepticism.

Mr. Lawrence Fox, vice-president of the National Manufacturers' Association, said the steps were "top little, top late." The plan, he said, is "in the tradition of previous trade openings. It might have some magical value but we don't see anything significant there."

There will be little help for the manufacturing sector until the exchange rate issue is addressed, he said.

Mr. Al Rothenberg, spokesman for the Motor Vehicle Manufacturers' Association, pronounced himself in favour of the new certification procedures. But he said: "We don't expect any great changes."

The Chemical Manufacturers' Association said it is "a wait and see situation to see if these changes really do take place."

On Capitol Hill, the Chairman of the Senate Commerce Committee also expressed scepticism.

● In Brussels, the European Commission yesterday reserved comment, claiming that details of the measures had not yet been received in Brussels.

Unofficial reaction suggested the Community's initial response was at least more positive than that which greeted Japan's tariff reduction programme announced last month.

● In the UK, the department of Trade and Industry said it was too soon to make a definite comment.

Jurek Martin and Carla Rapoport assess the implications for Western manufacturers

How Japanese market opening measures will operate

THE Japanese Government yesterday announced its new market opening measures. The following are some of the main elements of the proposals:

Aircraft: Two proposed changes in regulations covering commercial aircraft seem to be of potential significance to European, and especially UK manufacturers. Existing Japanese law states that a four-engine jet aircraft must be operated by a three-man flight crew; this is to be reduced to two. Additionally, the weight limit, currently 5.7 tons, on aircraft used in commuter services is to be relaxed.

The first modification could be such an aircraft as British Aerospace's 146, a four-engine jet specifically designed to be operated by a two-man crew. The UK has long been lobbying for Japanese purchases of the 146.

The easing of the weight limit similarly could help sales of such aircraft as Short's S30 and 360 models, as well as French Mercurys and Dutch Fokkers among others. In general, the Japanese short-haul feeder network is underdeveloped.

Government procurement: Some Western diplomats here saw encouraging signs in the proposed reforms of rules covering the purchases of materials by government and semi-government agencies. These stipulate that the number of contracts awarded through single tendering (almost invariably to Japanese concerns) will be reduced, an extension of bidding time from a minimum of 30 days to not less than 40 days, the simplification of documentation, and the creation, under the Foreign Ministry, of an information clearing house.

Japan is also adding 16 more semi-government agencies to the 45 already covered by the General Agreement on Tariffs and Trade (GATT) procurement code. It may also be significant that Japan is now prepared to consider the record of the foreign parent company, and not just its Japanese subsidiary, in assessing whether a company is a potentially reliable supplier.

The caveat in this section, as in so many others, is that only time will tell if this will make much difference, given the intense competitiveness of many Japanese concerns and the close relationships they have established over the years with their government and its related agencies.

Standards and certification: In an immensely complex, highly sectoral area, perhaps the most important single commitment is that "representatives of foreign interests shall be always allowed to join or participate in any of the advisory councils, their subcommittees and other fora to state their opinions in the process of drafting or revising standards." In other words, a clear attempt appears to be being made to make the Japanese rule-making system more transparent than it is widely believed to be at present, although without sacrificing the national right to make whatever safety and other standards it deems appropriate. Traditionally in Japan, such standards are set by a process of close co-operation between industry and government from the very beginning, in which foreign interests have been generally excluded, even from the advisory process.

In addition, under the rubric of "freedom in principle, exceptions only where necessary," Japan does seem intent on promoting self-certification wherever possible by manufacturers in the country of origin. However, the issue of self-certification remains vague. For example, Japan proposes to allow the import of those new

manufactured or chemical substances which have been already tested in foreign countries only "after re-confirmation of safety by Japanese authorities." It does not spell out the nature of this re-confirmation procedure.

Foreign test data: With regard to pharmaceuticals, Japan has agreed to accept foreign test data with the exception of: comparative clinical trials, dose finding tests, absorption, distribution, metabolism and excretion tests, where the results for Japanese and non-Japanese may vary.

Financial liberalisation: The bulk of yesterday's announcements on financial market liberalisation have already been announced. Japan did put a figure ¥10n (22.9n) on the large time deposits which will be freed of interest rate ceilings this autumn. Japan has stated that interest rate ceilings on all large-denomination deposits will be removed by the spring of 1987. No time limit was given for the equally important liberalisation of interest rate ceilings on small denomination deposits.

In the European bond market, Japanese residents will be allowed to issue floating rate

notes by the spring of next year. Further, the ceilings on yen-denominated foreign bonds and foreign-currency bonds are being reconsidered.

A decision on the number of new seats and the qualification requirements for the Tokyo Stock Exchange are to be announced this autumn, the Government said.

CARS: While foreign companies in Japan are sorting out what, if any, positive effects will result from yesterday's market-opening announcements, one sector at least had very few roses to throw at Mr. Nakasone.

"Will we sell more cars in Japan? I wouldn't have thought so. These (measures) will make a contribution to making our life easier... but they are largely cosmetic changes," says Mr. David Blume, marketing manager for British Leyland in Japan.

Yesterday's announcements paved the way for a simplified certification system for imported cars, which among other things, will provide for the acceptance of foreign data on emission and noise levels. According to the government, this should "substantially" reduce the inspection period for

imported vehicles, which now takes 60 to 70 days from the date of landing.

Foreign automakers have about 1 per cent of Japan's domestic passenger car market. Foreign car importers complain of a lack of good quality dealerships in Japan, which in turn keeps a lid on sales. Small sales volumes mean that foreign cars are relatively expensive and unable to compete with Japanese cars on price alone.

More importantly, however, foreign car importers have been lobbying the Government for several years about a legally sanctioned system of parallel importing of foreign cars.

Under Japanese law, any individual can import a foreign car provided he or she does not import more than 10 at a time. In the case of BMW, for example, the 10-at-a-time importers account for nearly 30 per cent of the sales of their cars in Japan.

Yesterday's concessions on import procedures, according to foreign car importers, is only one small area of reform it had been seeking. "It will help get the cars into the country more smoothly, but it will not help to sell more cars," said Mr. Blume.

Imported vehicles, which now takes 60 to 70 days from the date of landing.

Foreign automakers have about 1 per cent of Japan's domestic passenger car market. Foreign car importers complain of a lack of good quality dealerships in Japan, which in turn keeps a lid on sales. Small sales volumes mean that foreign cars are relatively expensive and unable to compete with Japanese cars on price alone.

More importantly, however, foreign car importers have been lobbying the Government for several years about a legally sanctioned system of parallel importing of foreign cars.

Under Japanese law, any individual can import a foreign car provided he or she does not import more than 10 at a time. In the case of BMW, for example, the 10-at-a-time importers account for nearly 30 per cent of the sales of their cars in Japan.

Yesterday's concessions on import procedures, according to foreign car importers, is only one small area of reform it had been seeking. "It will help get the cars into the country more smoothly, but it will not help to sell more cars," said Mr. Blume.

Imported vehicles, which now takes 60 to 70 days from the date of landing.

Foreign automakers have about 1 per cent of Japan's domestic passenger car market. Foreign car importers complain of a lack of good quality dealerships in Japan, which in turn keeps a lid on sales. Small sales volumes mean that foreign cars are relatively expensive and unable to compete with Japanese cars on price alone.

More importantly, however, foreign car importers have been lobbying the Government for several years about a legally sanctioned system of parallel importing of foreign cars.

Under Japanese law, any individual can import a foreign car provided he or she does not import more than 10 at a time. In the case of BMW, for example, the 10-at-a-time importers account for nearly 30 per cent of the sales of their cars in Japan.

Yesterday's concessions on import procedures, according to foreign car importers, is only one small area of reform it had been seeking. "It will help get the cars into the country more smoothly, but it will not help to sell more cars," said Mr. Blume.

EEC fears U.S. moves to curb shoe imports

THE EUROPEAN Community yesterday expressed concern over possible U.S. moves to restrict imports of Community-made leather shoes, saying these were not the cause of the U.S. industry's problems. Reuters reports from Brussels.

Washington, under pressure from the domestic shoe industry, has to decide by September 1 whether to introduce import quotas on quality shoes exported from Europe.

The Community's external trade commissioner M. Willy De Clercq, said that Community exports were not the cause of the problems of the U.S. industry.

The 14.9 per cent increase in Community shoe exports in 1984, compared with a rise of 41 per cent from other sources, was largely the result of the high dollar which made foreign products more competitive than U.S. goods.

Community shoes were often priced at or above the U.S. price to account for customs duties, he added.

The Community had told Washington it considered any export restrictions would be totally unjustified.

Turkey announces new tax rebate

THE Turkish Government has announced a new tax rebate of 2.75 per cent for exports of fresh fruit and vegetables, as part of a general overhaul of the procedures for agricultural exports. David Barchard reports from Ankara.

A desire to cut losses by exporters of perishable products to the absolute minimum is being given as a reason for the new rebate.

The new rebate is in addition to those introduced in 1982 for fruit and vegetable exporters.

Tokyo, Peking in trade talks

SIX Japanese and eight Chinese Government ministers opened a two-day conference in Tokyo yesterday to discuss China's trade deficit with Japan—now its biggest trading partner—and other matters of mutual concern. Foreign Ministry officials said. AP reports.

The two sides were also to discuss the international situation during the session—the fourth in a series of high-level meetings since 1983.

Trade between the two countries reached a record \$13bn

(£10bn) in 1984, with Japan enjoying a surplus of \$1.3bn, according to official Japanese statistics. The trade imbalance jumped to \$2.5bn in the first half of 1985 alone, the Japan External Trade Organisation said.

Earlier in the day, State Councilor Gu Mu, head of the Chinese delegation, paid a courtesy call on Prime Minister Yasuhiro Nakasone. Foreign Ministry officials said Gu told Mr. Nakasone he believes Sino-Japanese relations "are satisfactory in all aspects."

Gu said, however, that the two countries had some "minor issues that crop up during development of their ties," the officials added.

Mr. Nakasone agreed with Gu's assessment and said Tokyo and Peking should be able to narrow Japan's trade surplus with China through mutual efforts.

"Relations between Japan and China are the best ever and we would like them to continue like this through the 21st century," the officials quoted Mr. Nakasone as saying.

Gu said, however, that the two countries had some "minor issues that crop up during development of their ties," the officials added.

Mr. Nakasone agreed with Gu's assessment and said Tokyo and Peking should be able to narrow Japan's trade surplus with China through mutual efforts.

"Relations between Japan and China are the best ever and we would like them to continue like this through the 21st century," the officials quoted Mr. Nakasone as saying.

Gu said, however, that the two countries had some "minor issues that crop up during development of their ties," the officials added.

Mr. Nakasone agreed with Gu's assessment and said Tokyo and Peking should be able to narrow Japan's trade surplus with China through mutual efforts.

"Relations between Japan and China are the best ever and we would like them to continue like this through the 21st century," the officials quoted Mr. Nakasone as saying.

Gu said, however, that the two countries had some "minor issues that crop up during development of their ties," the officials added.

Mr. Nakasone agreed with Gu's assessment and said Tokyo and Peking should be able to narrow Japan's trade surplus with China through mutual efforts.

"Relations between Japan and China are the best ever and we would like them to continue like this through the 21st century," the officials quoted Mr. Nakasone as saying.

Gu said, however, that the two countries had some "minor issues that crop up during development of their ties," the officials added.

Mr. Nakasone agreed with Gu's assessment and said Tokyo and Peking should be able to narrow Japan's trade surplus with China through mutual efforts.

"Relations between Japan and China are the best ever and we would like them to continue like this through the 21st century," the officials quoted Mr. Nakasone as saying.

Gu said, however, that the two countries had some "minor issues that crop up during development of their ties," the officials added.

Mr. Nakasone agreed with Gu's assessment and said Tokyo and Peking should be able to narrow Japan's trade surplus with China through mutual efforts.

"Relations between Japan and China are the best ever and we would like them to continue like this through the 21st century," the officials quoted Mr. Nakasone as saying.

Gu said, however, that the two countries had some "minor issues that crop up during development of their ties," the officials added.

Mr. Nakasone agreed with Gu's assessment and said Tokyo and Peking should be able to narrow Japan's trade surplus with China through mutual efforts.

Move to cut risks for HK exporters

Hong Kong's Export Credit Insurance Corporation is considering two new types of insurance policies, both aimed at reducing exporters' risks when they take on letters of credit, AP-DV reports.

Mr. K. Y. Yeung, commissioner of the Government-owned concern, said the corporation was studying proposals to offer insurance against risks an exporter faced before his products were shipped.

China special zone told to increase exports

BY ROBERT THOMSON IN PEKING

WHILE the Chinese Government continues to regard the country's four Special Economic Zones as "experiments," the area of the Xiamen zone, on Southern Chinese coastline in Fujian Province, has been extended.

A report in China's Economic Daily said the zone will now include the nearby small island of Gulangyu, and is to be encouraged to "run the business of direct trade with Taiwan."

Xiamen, within sight of the Taiwanese-held island of Quemoy, is the only one of the four zones not in Guangdong Province, further to the south, and should be built into a "comprehensive and extrovert-style special economic zone."

"Xiamen should concentrate on increasing exports and the production goods that are in short supply at home," the Council recommended.

Order placed for \$175m cruise ship

BY FAY GJETER IN OSLO AND ANDREW FISHER IN LONDON

ROYAL CARIBBEAN Cruise Lines (RCCL), one of the major cruise shipping operators in the U.S. market, has placed a \$175m (£125m) order for the world's most expensive cruise ship but has deferred a decision on the second vessel it planned to buy.

The new 2,500-passenger ship will be built at the Chantiers de l'Atlantique yard in France. RCCL also has an option to build a second such vessel there.

The French yard gained the order mainly through more favourable financing terms, edging out Wärtsilä of Finland and Kockums of Sweden.

RCCL is owned by Gotaas-Larsen, based in Bermuda, and two Norwegian companies, Anders Wilhelmsen and I. M. Skauen. The cruise operator first said in February it planned to order two big new vessels to boost its capacity.

Gotaas-Larsen said when reporting sharply lower second-quarter results this year that cruise vessels—comprising its one-third stake in RCCL and its own two ships—had felt the

effects of severe competition in the Caribbean.

Speaking from Oslo yesterday, Mr. Richard Fain, joint managing director of Gotaas-Larsen, said: "The order was placed in the full knowledge of that downturn."

But RCCL still intended to order the second ship, on the basis of longer-term optimism about the market, he added.

The new RCCL vessel will take 300 more passengers than the Norway—formerly the France—which is owned by Norwegian Caribbean Lines (NCL), a company also planning to order new cruise tonnage.

NCL, part of Klostors Rederi of Norway, has considered plans for a huge, technically advanced 5,000-passenger vessel. Apart from RCCL and NCL, several other cruise companies are planning major investment in new tonnage. Carnival Cruise Lines has had one ship in a three-ship order delivered from Scandinavia.

Cunard, part of Trafalgar House of the UK, is considering putting new engines in the QE2 at a cost of some \$90m

UK-Indian electric vehicle deal approved

By John Griffiths

THE INDIAN Government has approved an Anglo-Indian joint project to produce up to 12,000 electric vehicles a year in a new factory on a 100-acre site near Bombay.

The vehicles are of a type already used in the UK for tasks such as milk deliveries, factory operations and aircraft towing.

The three UK companies involved are Electriccars, of Atherstone, Warwickshire, which claims about a 60 per cent share of the total UK electric vehicle market; Cableform, of Stockport, Cheshire, which makes electric vehicle control gear; and Electric Construction, a Hawker Siddeley subsidiary.

Their Indian partner is Chaelee Vehicles India, in which Electriccars and Cableform have minority stakes. The State of Maharashtra has also taken an 11 per cent holding.

The largest holding—of 21.6 per cent—lies with the project's founder, Mr. Indra Chatterji and his wife. Mr. Chatterji forecasts that when the project is fully on stream, it will employ 2,250 when sub-contractors are included.

The UK companies are to provide production line, electric motor and battery technology for the plant, which is scheduled for completion in July next year.

Meanwhile, kits of three road-going vehicles, two tractors and a platform truck are being supplied to Chatterji by the UK companies.

These are to be assembled at an initial rate of 10 a month starting in November.

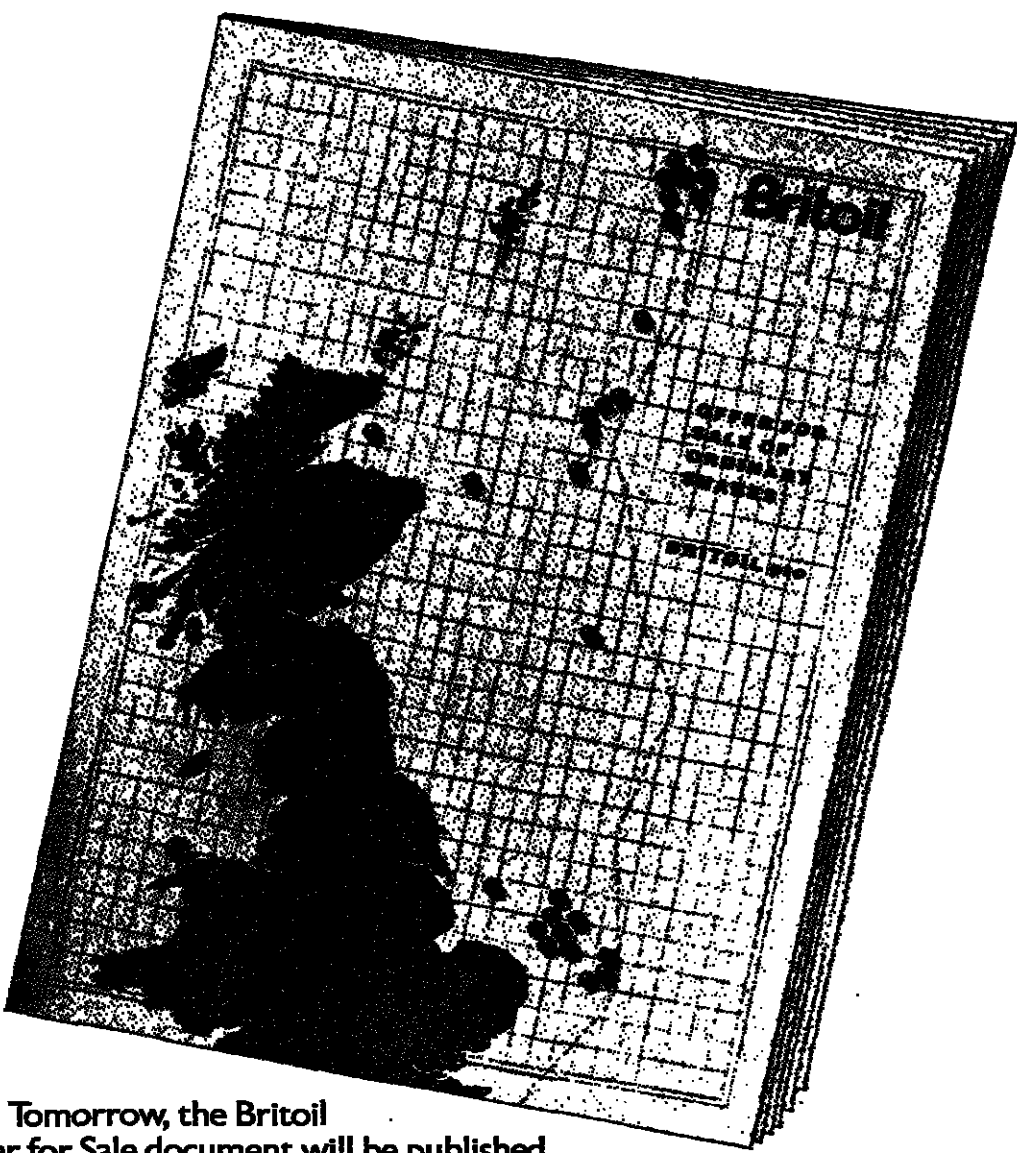
The project was first presented to the Indian Government in 1981, but has only recently received final approval.

The company had been contracted by the previous government, overthrown in U.S. invasion in October, 1983, to instal navigational equipment.

The contract was backed by the UK Export Credits Guarantee Department, and committed Grenada to repay at a rate of \$940,000 per year in semiannual instalments.

Mr. Keith Mitchell, the island's Communications Minister, said negotiations to raise the funds to pay Plessey Airports were taking place with the Bank of Nova Scotia, and that "the prospect of resolution of the problem looks rather good."

In tomorrow's Financial Times.



Tomorrow, the Britoil Offer for Sale document will be published in this newspaper.

All application forms must be completed and returned before the Offer closes at 10.00am on Thursday August 8th.

The minimum amount you need now for payment of the first instalment is £200. Three months later, payment of the second and final instalment will be due.

If you wish to obtain a copy of the Offer for Sale document call in at any branch of National Westminster Bank, Barclays Bank or Bank of Scotland, or read tomorrow's paper.

Britoil

Issued by Lazard Brothers & Co., Limited on behalf of H.M. Government.

France acts to dismantle alcohol duties

By Ivo Dawansy in Brussels

FRANCE HAS taken steps to dismantle a system of duties that penalised sales of alcohol from other EEC member-states, following complaints from the European Commission.

A report published by the Commission last June found that the "soultie" duty distorted competition on the French alcohol market.

Though technically this was charged on all alcohol, revenue raised from domestic production was paid to the state monopoly and then used to buy-in French distillers' production at prices higher than those paid in the open market.

A "reasoned opinion" of the Commission found that this amounted to a national market organisation contrary to the Common Market and discriminatory against other Community producers. Some duties added in real terms, as much as 50 per cent to retail prices for imported production.

France has since agreed to dismantle the system for all alcohol duties derived from sugar beet for which quantities and price will be restricted from September 1.

The Commission will now decide whether the French move means that counter-vailing charges applied to its alcohol exports can be lifted.

EIB aid for Algeria

The European Investment Bank will provide Ecu 75m (£11m) to help the Algerian Government expand the port of Bejaia and upgrade 133m km of road between Jijel and Constantine, our trade staff reports. New quay and expanded cargo handling facilities are part of the port works.

Midland Bank credit line for Cuba trade

By Frank Gray

MIDLAND BANK has established a \$30m credit line to boost British exports to Cuba.

The credit facility is particularly aimed at helping exporters of medical, transport, maritime and sugar-refining equipment, as well as other providers of medium-technology goods.

The credit line, to be available for two to three years, also calls for Britain to import more Cuban goods, particularly cocoa butter, coffee, honey, sugar, nickel and between 60,000-90,000 tonnes of crude oil.

Among British clearing banks, Midland Bank has been prominent in supporting bilateral trade efforts and has been instrumental in arranging trade contacts in the UK for Cuban shippers.

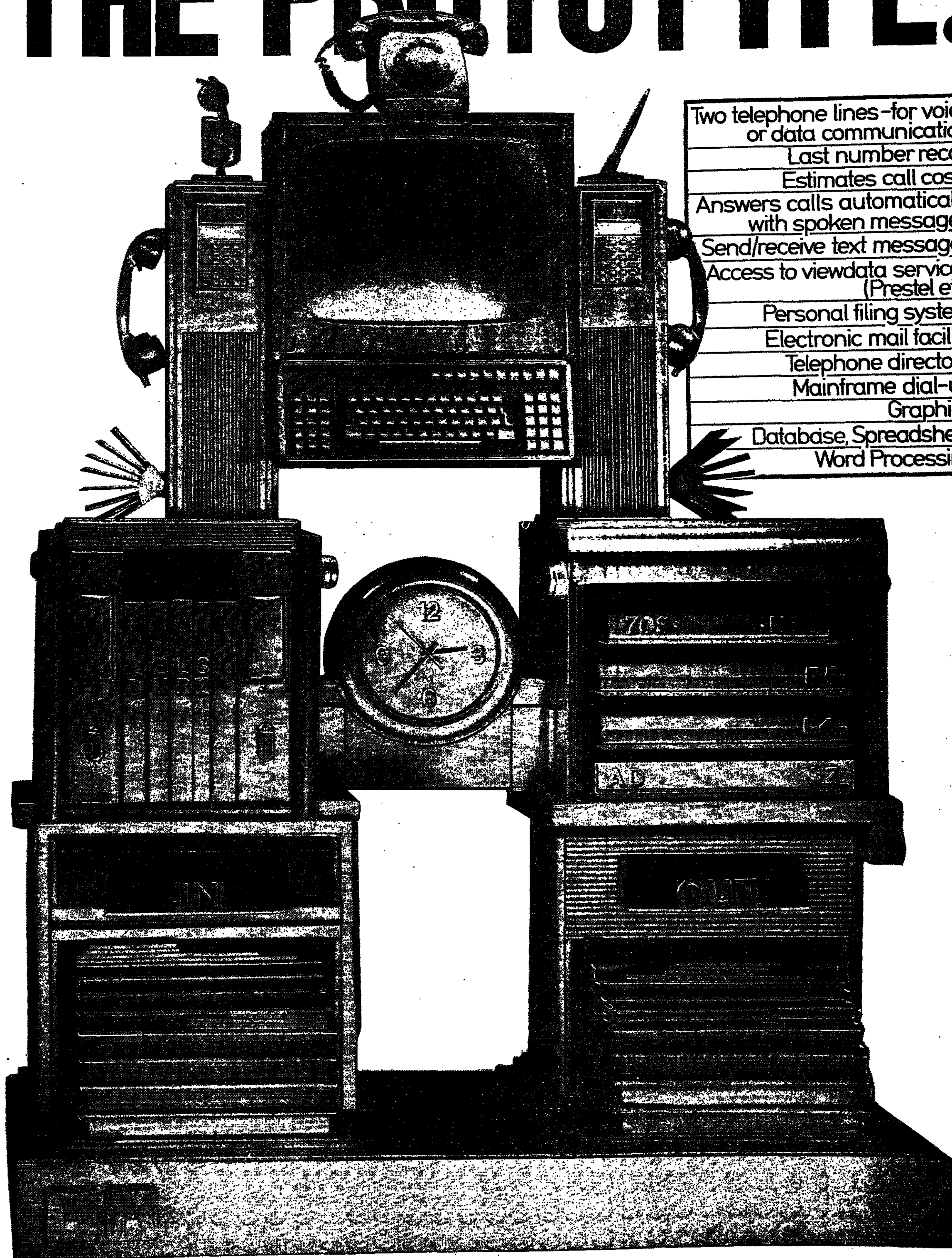
Cuban officials have recently held talks with Thomas Cook, the UK travel concern, to promote Cuban tourism. Meetings also have been held with Scottish distillers aimed at bottling and marketing Cuban rum.

Lord Selsdon, senior financial adviser to Midland, recently led a 20-member Over London Chamber of Commerce mission of UK companies to Cuba. He is to make a further visit in the autumn, and the Birmingham Chamber of Commerce is to send its own group later in the year.

British exports to Cuba for the first five months of this year were worth \$28.5m, mainly of medium-range technology, while imports from Cuba for the period were worth \$3.5m, comprising mainly sugar, honey and tobacco products.

UK exports last year were worth \$44m, with imports valued at \$13m.

TONTO. THE PROTOTYPE.



TONTO. THE PRODUCTION MODEL.

The final production model of the Merlin Tonto from British Telecom is a lot neater than the prototype. It's only 12" high and 18" wide. It costs only £1375.*

And it'll do more for your business than a whole desk load of old-tech equipment.

Makes phoning fool-proof. Tonto simplifies making telephone calls. Push-button dialling connects you with any number from hundreds in your personalised directory. It even estimates the cost of each call.

The very personal computer. Access your commercial information from your own desk. The Tonto software package includes spreadsheet, database and graphics.

Write your own letters. Compose it, correct it, print it. Add a printer and you've got your own word processor. Produce mistake-free letters and reports in little longer than it takes to dictate them.

Not so dumb terminal. Access your mainframe, bureaux, remote data base or public services like Prestel or Telecom Gold.† Utilise or transfer data.

Memos as fast as a phone call. Prepare it, check it, press a button and send a memo down a telephone line to any other Tonto. Press another button and it's stored.

If you'd like the full story on Tonto, call Freefone Merlin or clip the coupon.



EVERYTHING YOU NEED TO DO BUSINESS, BUT LESS.

To: Victor Brand, Merlin, FREEPOST, London SW19 8BR.
I would like to know more about the Tonto system.

Name _____
Company Name _____
Address _____
Tel No. _____

MerlinTonto
From British Telecom.

FT 17/1

*Price includes Software Package (Word Processor, Spreadsheet, Database and Graphics), Monochrome Monitor. Delivery/Installation/12 months warranty but excludes VAT. Other options, including colour screen and printer are extra.

†Prestel and Telecom Gold are trade marks of British Telecommunications plc. Merlin is British Telecom's exclusive brand of advanced business systems available only through your local BT District Office.

Ugandan guerrillas snub Okello

Sikhs clash in Golden Temple on Punjab deal

Seoul raised the proposal to form a unified team again in October last year, but North Korea has so far not responded directly to the proposal to begin talks again.

Last week the International Olympic Committee announced that Olympic committees from North and South Korea had accepted invitations to meet in Lausanne, Switzerland, before the end of the year, although it is not clear what the talks will cover.

industries and that greater emphasis would be placed on energy conservation.

**Pakistan to train
Sinhalese in security**

A total of 450 Sinhalese youths are to be trained in Islamabad. Pakistan counter-insurgency experts in ways of providing protection for Sinhalese settlements in the north, Mervyn de Silva writes in Colombo.

The Government plans to settle about 200,000 Sinhalese in the border areas between the Tamil northern peninsula and Sinhalese-populated northern provinces.

Major General Senewiratne of Sri Lanka army commander announced yesterday that the men are part of the army.

who is general manager of Uganda Airways. Other appointments to the council, headed by Gen Okello, include six colonels, according to the Uganda Ministry of Information. Mr Justin Okot, a lawyer who has been named secretary, is the only civilian.

The NRA's dismissal of a place in the interim government followed a statement expressing dissatisfaction with the installation of Lt Gen Okello as Uganda's leader. The statement said that the underground movement had not been consulted on plans for elections, scheduled a year from now, or the appointment of a Prime Minister.

strong political threat to Lt Gen Okello. It forces waged a nagging, four-year campaign against Dr Obote's deposed government that has effectively tied down units of the Uganda Army. There is every reason to believe that it is capable of continuing to do so.

Mr Museveni has acknowledged he had no role in the coup. He has been quoted as saying that if the army set up a new government, the NRA would carry on fighting.

The army and the guerrillas have inflicted brutal atrocities on each other. As army commander, Lt-Gen Okello was responsible for the punitive raids against the guerrillas.

of the Democratic Party that opposed Dr Obote's Uganda Peoples' Congress in the 1980 elections, sent a letter of support to the Ugandan President, appointing a of a Supreme Minister is expected to be announced before the end of the week.

Of Dr Obote's 34-member Cabinet, 22 are said to have responded to a call to report to the army. Their passports have been confiscated but they are not under arrest. Mr Chris Bakasis, a former Minister of State, was in charge of the secret police, has been imprisoned. At least 150 of the 250 North Korean military advisers in the country are

Wednesday and Monday were from five of the 36 riot-torn cities and towns covered by the emergency.

The police also reported continued scattered riot incidents overnight but no new deaths.

The mining industry, which has an extensive recruiting network throughout the sub-continent and which depend almost exclusively on migrant labour, is said to have the requirements, employed 210,000 foreign black migrants in May this year. Of these, 51.6 per cent were from Lesotho and were a major factor in the success of the mines of the Orange Free State, 24.2 per cent were from the newly-found ally Mozambique, 9 per cent came from Botswana, a smaller number from the West Bank and Malawi and 6.3 per cent were from Swaziland.

Last year, immigrant mine-workers sent R48m (£156.8m) back to their homelands. The Mozambique and Malawi, which insist that three-fifths of their nationals' wages be remitted directly, received at least R10.5m, R99m and R26m respectively.

Immigrants comprise almost two-fifths of the mining industry's workforce. Replacing them with locals would be

impossible, as pay and conditions are not attractive to locals, and the immigrant workers have a degree of skills not easily replaced.

The Chamber of Mines will not comment officially on the threat that the government will be repatriated, but organized agriculture is less inhibited. An official of the South African Agricultural Union makes no mention of the fact that a blanket ban on immigrants would denude farms of workers in the Orange Free State near the Lesotho border.

He points out that in recent years South African black agricultural workers have migrated towards the cities and industrial jobs, and that in the Orange Free State their places have been taken by permanent employees from Lesotho.

More tellingly, perhaps, he claims that in the Eastern Transvaal, agricultural employees have fled from Mozambique and are largely instrumental in inventing cross-border guerrilla attacks because the foreigners are happy to have a job and

that they could be deported without redress.

Nevertheless, the Black Sash believes that the Apartheid Government even a fraction of the illegal black immigrant population would be beyond the capabilities of the authorities.

It is therefore a thoroughly goodly back-peddalling on President Botha's threat. They decline to be identified, but say that the President was only going to legalise—only add to the contentions that deportation threat is hollow—and point out that large-scale deportations would imply a major shift in the country's foreign policy.

South Africa is increasingly criticised, but it has rigorously adhered to its strategy of persuading neighbouring and more distant black nations of the advantages of close association.

It seems unlikely that the mandarins in Pretoria would allow intemperate moves on deporting immigrants to undermine the policy of persuasion which has been established so laboriously with independent black African nations.

Saudis to take part in Arab summit

By Richard Johns
PROSPECTS for a meaningful Arab summit meeting next week, despite the certain absence and opposition of Syria, improved with the confirmation yesterday that Saudi Arabia will take part.

Ali Shاعر, Saudi Minister of Information, said that King Fahd would attend the meeting, called by King Hassan of Morocco in Casablanca on August 7 "as it aims at unifying Arab ranks, which is a major goal of Saudi Arabia."

Saudi Arabia's initial shrewd following King Hassan's unexpected proposal was widely seen as reflecting its concern not to antagonise Syria.

Syria is adamantly opposed to the long postponed summit which is to discuss the joint Jordanian-Palestinian initiative. This is aimed at starting talks, initially with the U.S., with the ultimate objective of establishing a Palestinian state. By definition, this involves some

its prime task will be to decide whether the February 11 accord between King Hussein of Jordan and Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, conforms with the resolution of the latest summit held in Fez, Morocco, in September 1982.

Both King Hussein and Mr Arafat are anxious to gain the blessing of at least the majority of the countries of the Arab world for the accord.

They will regard the holding of the summit as a success in itself but Western diplomatic observers are doubtful whether the two leaders will receive anything more than a lukewarm acquiescence.

AN ISRAELI was shot dead in a Nabulus on the Israeli-occupied West Bank, yesterday in an incident which is bound to increase the pressure on the Israeli Government to apply the death penalty to convicted Arab terrorists, David Lemmon writes from Jerusalem.

The dead man comes from the Israeli town of Afula, where three days ago there were angry demonstrations at the funeral of another resident who had been killed by a group of three West Bank Palestinians.

U.S. shuttle mishap may send customers to Europe's Ariane

Such incidents have damaged confidence in the shuttles. They are a theoretical improvement

sion stuttered on without a second shut-down, which would have proved disastrous.

U.S. June trade deficit climbs to \$13.4bn

cast another shadow over the administration's optimistic predictions that the U.S. economy will bounce back to a real annual rate of growth of 5 per cent in the second half of this year.

Right-wing to press Shultz to quit

Mr Shultz, who has long been a target of right-wing attack, shows no sign of yielding to the latest onslaught. The State Department insists that he is *loyally carrying out Mr Reagan's* policies and the White House says the president has complete confidence in him.

The conservative assault, however, has gained fresh momentum since the right-wing attacks against the U.S. have gone unpunished, and even the Democrat-controlled House of Representatives has adopted a tougher

Volcker backs World Bank role

Mr. Volcker's vigorous endorsement of the two institutions' roles comes against a background of intense debate within the U.S. Government over the role of American contributions, not only to the World Bank's capital but also to a new tranche of finance for the International Development Association, the World Bank's "soft loan" arm.

Commenting on the outlook for the developed world, Mr. Volcker said that "borrowing countries should now be looking for ways to use the immediate proceeds for budgetary and monetary adjustments."

But he warned that it "does

GM chooses 'Saturn' site

GENERAL MOTORS, the world's largest car maker, has confirmed that it has tentatively chosen Spring Hill, Tennessee, as the site for its advanced \$4.5bn (\$3.1bn) Saturn small-car manufacturing and assembly plant. The decision appears to end a fierce lobbying battle among state and local governments to attract the prestigious project, writes **Paul Taylor** from New York.

The choice of Spring Hill as the site for the plant for GM's new car—designed to compete head on with Japanese imports—had been widely rumoured. GM said the plant will generate an annual payroll of about \$200m.

Few takers for Castro hard line on debt

the leadership of Latin American public opinion on an issue which touches the lives of almost every Latin American as the demands of debt servicing bring austerity throughout the area. But whatever the attractions

Its change of position contrasts with President Fidel Castro of Cuba who yesterday inaugurated a meeting in Havana to back his call for the unilateral repudiation by Latin America of its \$370bn (\$268.9bn) of foreign debt. The meeting follows gatherings of women's movements and trade unionists from the region who have supported the Cuban president's thesis that the debt is "unpayable."
 The object is to seize for Cuba

the leadership of Latin American public opinion on an issue which touches the lives of almost every Latin American as the demands of debt servicing bring austerity throughout the area. But whatever the attractions

for the Latin American public
the idea of repudiating the
foreign debt, Castro has not
succeeded in attracting many
Latin American leaders to his
gathering which will continue
through the week.

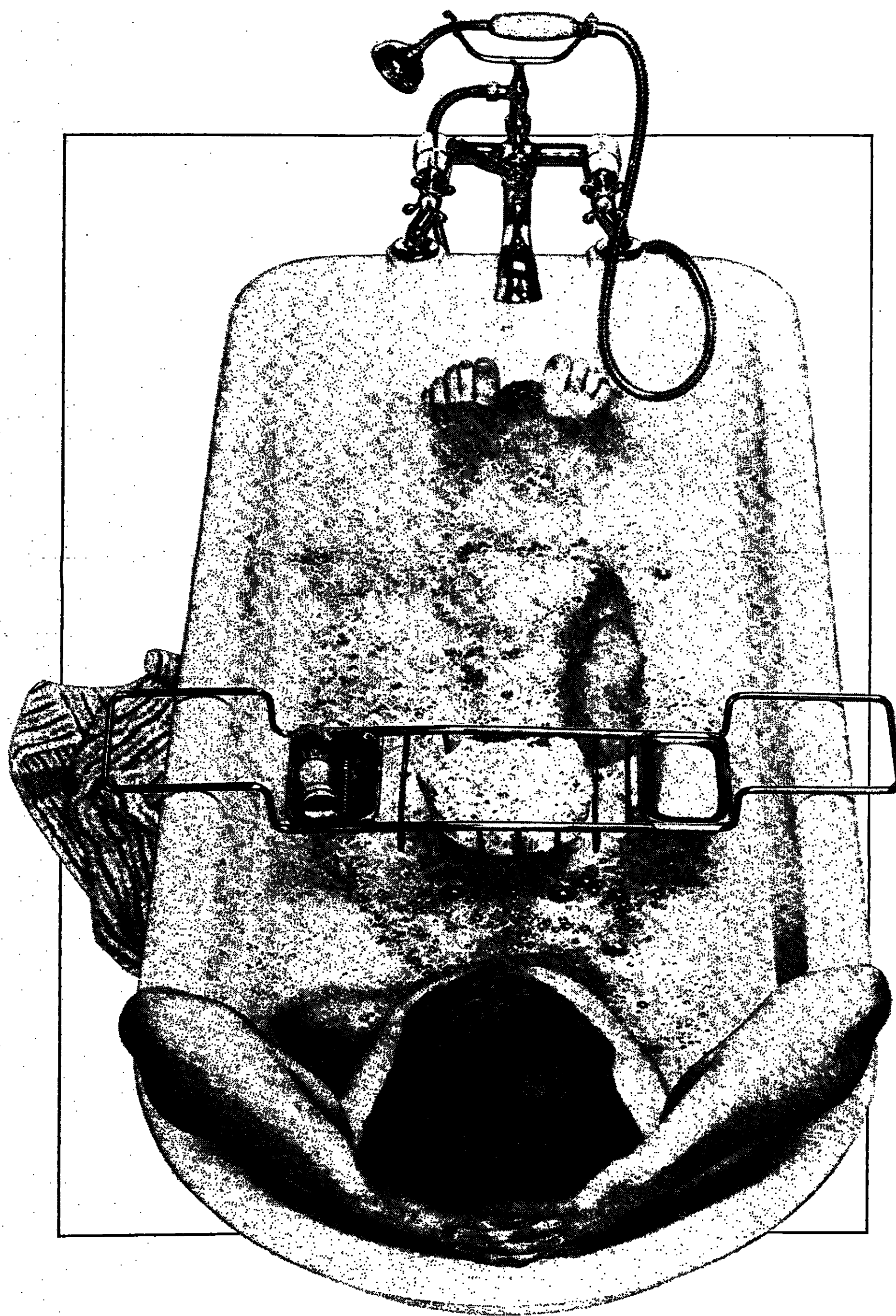
No serving Latin American
president has accepted the
Cuban invitation. Some former
heads of state will attend,
including ex-president José
Fulgencio Batista of Cuba and ex-
president Walter Guevara-Arce
of Bolivia, but most representa-
tion has been kept to the official

Castro has called his comrades "cowards" for not backing his stand. They accuse him of declining one policy and following another, the most to the fact that at the National Bank of Cuba he tried to keep the best of the relationships with the Western Hemisphere. He owes some \$3.5bn) while the Soviet Union to which it owes \$10.5bn. While keeping a wary eye on what goes on in Havana bankers will be concentrating their attentions on the meeting of the Latin Americans group which will be held in Lima, with 48 hours of the installation of President Alan Garcia and announcement that Peru should be paying no more than

percent of its export revenues on the servicing of its foreign debt. The Latin American representatives of the 10 debtor nations are planning their new strategies.

The spring group for the full-scale Cartagena encounter due next month in Montevideo, is being organized by Sr Enrique Iglesias, foreign minister of Uruguay. Iglesias said in Lima that the Caracazo summit would make preparations for the dialogue on economic issues with the European Community. He knows that if the Latin American nations are to start discussions at a political level about the debt crisis, they will have to come to Europe. In this week they are planning how best to do that.

No phones. No interruptions. No wonder you have your best ideas at home.



Strange how often inspiration seems to strike outside office hours.

Could it be because the daily grind leaves you precious little time to think?

Fortunately, there's one sure way to find out whether your ideas hold water.

A Toshiba portable computer. Feed in your floppy disks and it's just like being back in the office. Without the usual distractions.

And even if you need to exchange data with other computers, the TI100 can also communicate with them.

Naturally, you'll be fully compatible with the IBM-PC and thus capable of running most leading software.

(As a fully-fledged 16-bit computer, it also runs at a very business-like pace.)

And, with a 256K memory on tap, there's no risk of halting your creative flow in midstream.

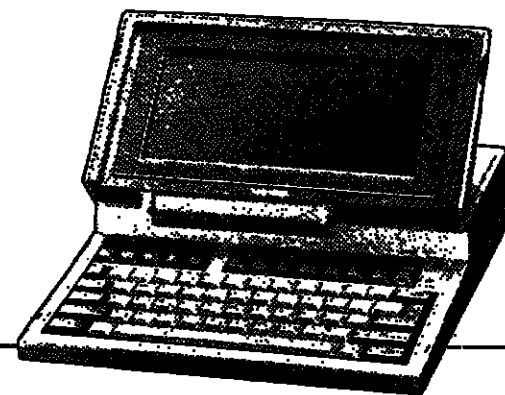
Note, too, our built-in LCD flat screen. Very restful on the eyes in the small, wee hours.

Weighing in at a mere 9lbs, our baby's not going to strain your arms either.

Lightweight it may be, but it can outperform any portable you care to name.

After all, it's one of the Toshiba family of computers, dedicated to improving business efficiency.

And in our family, business always comes first.



For more information send the coupon to: Toshiba UK Ltd (IPS Division), Toshiba House, Frimley, Camberley, Surrey GU16 5JJ, or dial 100 and ask for Freeline Toshiba.

Name _____
Title _____
Company _____
Address _____

**TOSHIBA
COMPUTERS**
WE GIVE YOU MORE TIME TO THINK

FT 2

TI100: Weight 9lbs - 16 bit - 256KB - Full compatibility with the IBM-PC - Built-in 720KB 3.5" FDD, flat LCD screen and graphics - 640 x 200 pixels - 80 characters x 25 lines - Centronics parallel interface. Options include external 3 1/4" or 5 1/4" FDD - 256KB memory expansion - Mono or colour display - RS232C serial interface - Printer. IBM-PC is a trademark of International Business Machines Corporation.

UK NEWS

Debenhams in link with Fraser group to block Burton bid

BY MARTIN DICKSON

HOUSE OF FRASER and Debenhams, Britain's two biggest department stores groups, yesterday unveiled a joint initiative to block Burton Group's £550m bid for Debenhams and instead form their own joint ventures.

Provided the Burton bid lapses, they intend to put together their credit finance businesses and merchandising and distribution operations.

The deal was announced just three days before Burton's bid closes and was regarded in the City

of London as substantially reducing its chances of success.

House of Fraser, which by yesterday morning had built up a 17.5 per cent stake in Debenhams, said that it would not accept Burton's offer. It intended to go on buying Debenhams shares - there was speculation last night that it had reached 20 per cent - although it was not its "present intention" to make an offer for the group.

Burton last night attacked the deal as a "desperate, last minute manoeuvre" by Debenhams to deprive shareholders of its offer.

Britoil offer set at 185p to draw small investors

BY DOMINIC LAWSON

THE GOVERNMENT will receive about £434m from the sale of its remaining 49 per cent stake in Britoil, the world's largest independent oil exploration company.

By the middle of yesterday afternoon the entire issue, offered at a price of 185p a share, had been applied for by British, European and Canadian financial institutions. The prospectus will be published tomorrow.

The issue, priced at a 9.8 per cent discount to the prevailing price yesterday morning of 205p a share, will raise £449m, but fees and advertising associated with the issue are likely to cost the Government about £15m.

Almost 20 per cent of the offer will go overseas, following the example of the British Telecom flotation last year. About 10 per cent of the shares are headed for Canada, while the other 10 per cent will be offered to Swiss, German, Austrian and Dutch investors by a syndicate of banks led by the Swiss Bank Corporation.

Mr Andrew Large, a director of Swiss Bank Corporation, said yesterday that European investors could have accommodated double

the amount made available by the British Government. "London is the centre of the Eurobond market; there is no better place to start a Euro-equity market," he said.

The initial 51 per cent of Britoil was sold at 215p a share in November 1982, but flopped, with 70 per cent of the offer left with underwriters. In order to avoid a similar embarrassment, Lazard Brothers, the Government's advisers, have placed half the UK offering firmly with institutions, which have also offered to subscribe for any shares not subsequently applied for by the public, existing shareholders, or Britoil's employees.

The near 10 per cent discount to the prevailing market price is more generous than any of the previous Government secondary share offerings. However, the 185p price puts the shares offered on a prospective yield of exactly 10 per cent, a figure designed to pull in the small investors and retain the support of UK financial institutions which suffered big paper losses on the initial offering.

Lex, Page 16

NatWest's first-half profit rise fails to meet expectations

BY DAVID LASCELLES, BANKING CORRESPONDENT

NATIONAL Westminster Bank, the UK's second-largest bank, boosted its pre-tax profits by 20 per cent to £54m in the first half of this year - helped by an improvement in its international operations. But these first results in the bank's interim reporting season were well below expectations and triggered a sharp fall in bank share prices on the stock market yesterday.

Lord Boardman, NatWest's chairman, said the results marked "a very good operating performance in highly competitive trading conditions." But he said sterling's greater strength since the start of the year had had "a considerable adverse effect on our figures."

Mr Philip Wilkinson, the group chief executive, estimated that if sterling had remained at its level of

last December 31, the bank's profits would have been £31m higher. But the pound's recovery against other currencies had reduced the value of the group's assets and earnings overseas.

Mr Wilkinson commented that prospects on the home and foreign markets for the rest of the year were favourable given the likelihood of further falls in UK interest rates.

The biggest improvement came in NatWest's international operations where profits rose by 56 per cent, mainly because of its highly successful \$130m U.S. venture, NatWest USA, which registered a 58 per cent increase in net income for the half year.

NatWest's UK banking business raised profits by 8.7 per cent, and

its related banking services division, which includes Lombard North Central, the large finance house, by 10 per cent.

Sterling's strength against the dollar reduced the size of NatWest's dollar assets, however, and left the bank with a slightly smaller balance sheet on June 30: it totalled £70.5bn, down from £71.5bn at the end of 1984. Had currencies remained unchanged, NatWest's assets would have grown by four per cent.

The surprise of NatWest's results - which some analysts had said would rise by 40 per cent or more - knocked more than 40p off its share price, though it recovered towards the close to end with a loss of 25p.

Details on companies, Page 23; Lex, Page 16

Far East expansion sought by BCal

BRITISH CALEDONIAN Airways (BCal), the independent airline, is planning to build up a network of routes into and out of Hong Kong, Michael Dome writes.

It will use an existing subsidiary company, Caledonian Far East Airways, which it acquired two years ago, and has applied to the Hong Kong Air Transport Licensing Authority for a series of route licences and for an air operator's certificate. The routes it seeks are those linking Hong Kong with Peking, Canton, Hangzhou, Tianjin and Guilin in China, Chiang Mai in Thailand, Bali in Indonesia, Cebu in the Philippines, Rangoon in Burma, Kuching in Sarawak and Bandar Seri Bagawan in Brunei.

THE Government has announced a shuffle of senior civil servants that will put two close advisers of Mrs Margaret Thatcher, the Prime Minister, in charge of control of public spending at the Treasury. Mr Robin Butler, Mrs Thatcher's private secretary, is being promoted back to the Treasury as second permanent secretary in charge of spending. His present deputy will be promoted to under-secretary in charge of spending. Men and Matters Page 14.

THE white-collar union, the Association of Professional, Executive, Clerical and Computer Staff (Apex), is selling investments totalling more than £500,000 in five companies which it says have interests in South Africa. The companies are Allied Colloids, Guardian Royal Exchange, Hanson Trust, Hawker Siddeley and British Tyre and Rubber.

NEW EEC rules making manufacturers strictly liable for damage caused by defects in their goods will come into force in the next three years, Lord Lucas of Chilworth, junior trade minister, has told the House of Lords.

A STRIKE which threatened September's launch of the European space rocket, Ariane, was called off when 160 skilled workers returned to their jobs at the NEI Thompson engineering factory at Poole, on the south coast of England. The factory makes vital parts for the rocket.

SALES of Scotch whisky abroad could rise to more than £1bn this year. The Scotch Whisky Association said sales in the first half of the year earned £475m and there were signs that the decline in world sales had ended.

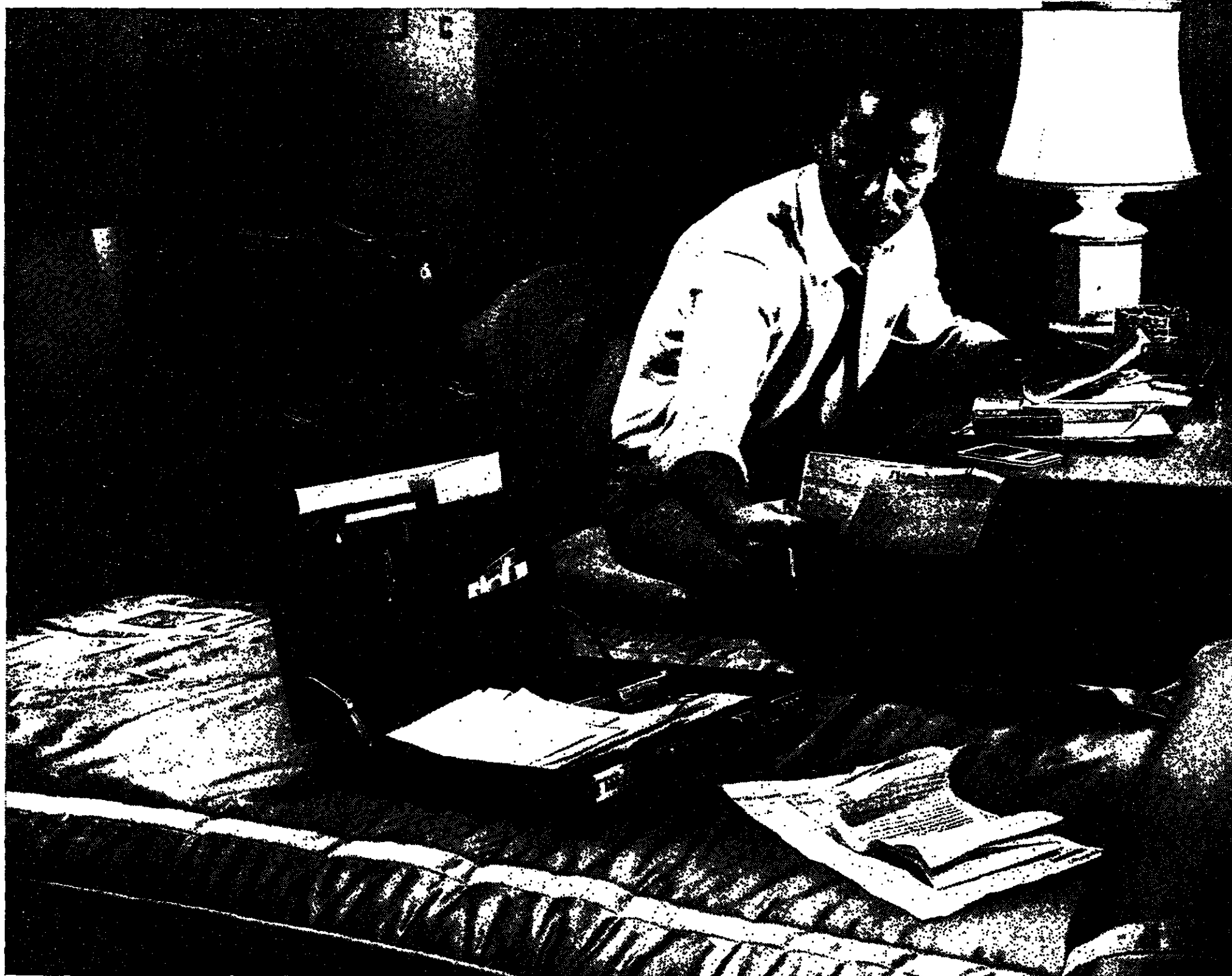
MIDLAND BANK has joined the Channel Tunnel consortium which is bidding for British and French government approval to build a twin-bore tunnel under the English Channel. The £2bn scheme will be entirely privately financed and operated and is expected to take four years to build.

Staying in Hamburg...

you will find complimentary copies of the FINANCIAL TIMES as a guest of one of the following Hotels:

Crest Hotel, Atlantic Hotel, Ramada Renaiss. Hotel, Kapstadring, An der Alster, Große Bleichen

He couldn't be more honest, but his expenses still cost more than they should.



Introduce The American Express Corporate Card System.

Every time an employee walks out of your office with a cash advance for expenses, he's wasting your money.

The cash in his pocket is dead money. Money that could - and should be - more profitably employed.

The opportunity cost of issuing cash advances came to a frightening \$140 million* for British business last year.

The American Express Corporate Card System practically does away with cash advances. Expenses only have to be paid after they have been incurred and approved. Meanwhile the money's yours to profit from.

Your employees need very little cash because they have the American Express Corporate Card. They can sign for almost all their needs.

They use the Card. You're told who's spent what, where and when. You have real control.

The American Express Corporate Card System brings increased efficiency in expense management together with major economies.

Find out more about it.

American Express Europe Limited, incorporated with limited liability in the State of Delaware, U.S.A.

Contact American Express Travel Management Services. The division of American Express that exists to help you plan, manage, finance and operate your company's business travel with the maximum returns. And the lowest costs.

*Source: Business Travel and Entertainment Expenses in Britain 1985.

To: Roy Stephenson, Vice President, Travel Management Services, American Express Europe Limited, 2/3 Cursitor St, London EC4A 3LL.

Please send me a full information pack on the Corporate Card and the American Express approach to more efficient business travel management.

Name _____ Position _____

Company _____

Address _____

Tel: _____



Wine testing procedures to be tightened

Financial Times Reporter

THE GOVERNMENT fears that a lack of standardised testing procedures may allow polluted wines entering the country to be declared pure. It is now trying to co-ordinate test activities in laboratories around the UK.

Efforts to trace imported Austrian wines contaminated with diethylene glycol have already been expanded to include wines from West Germany, Yugoslavia, Bulgaria and Hungary.

Dr David McWeeny, head of the food science laboratory of the agriculture ministry, said yesterday: "There is no accepted technology for analysing this particular contaminant and now a large number of laboratories are being asked to produce data quickly."

Dr McWeeny's own unit has so far found that 14 bottles out of 107 tested contain the chemical in small quantities. He said he was testing at the rate of about eight bottles an hour for up to 14 hours a day. The Government has not yet asked retailers to stop selling any wines other than those from Austria.

In South Yorkshire, an analysis firm retained by the county council has found seven polluted wines out of 60 tested so far.

Laker liquidator loses case against banks

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

MIDLAND BANK and its Scottish subsidiary, Clydesdale Bank, have defeated the attempt by the liquidator of Laker Airways to join them as defendants in his \$1.1bn anti-trust damages action in the U.S.

The Court of Appeal said in London yesterday that the liquidator, Mr Christopher Morris, of Touche Ross had produced no evidence to support his claim that the banks had been parties to an alleged conspiracy to put Laker Airways out of business.

Holding that it would be "unconscionable" for the banks to have to face anti-trust proceedings, the three judges reinstated an injunction, originally granted in 1983 but discharged last month, ordering the liquidator not to pursue his anti-trust claim against the banks.

Mr Morris was refused leave to challenge the ruling in the House of Lords, the final stage in the appeal procedure. He was told he would have to seek leave to appeal from the Law Lords themselves.

The liquidator, who argued that under U.S. law he did not need to produce evidence at this stage, alleged that the banks had made themselves party to a conspiracy by U.S., UK and European airlines by withdrawing from a rescue operation mounted to save Laker.

He relied heavily on a House of Lords ruling last year that he was entitled to sue British Airways and British Caledonian under the anti-trust Clayton and Sherman Acts.

The appeal judges, however, ruled that the banks were in a wholly different position to the UK airlines, in that the banks had not operated in the U.S. and therefore not subjected themselves to U.S. law.

Lord Justice Lawton said that the banks' connection with Laker had arisen from banking transactions in England, governed by English law. At the material time they had had no banking business in the U.S., except on the international inter-bank market.

Yet the liquidator was "trying to make the banks liable to the heavy financial penalties which can be awarded in a U.S. anti-trust suit for acts done in England in respect of which he has no claim at all in England."

"In my judgment this would be unjust and unconscionable. The liquidator has not, by English standards, got the beginnings of a case to justify a charge of conspiracy against the banks."

Lord Justice Lawton said that it had been at the Bank of England's request that Midland had become the lead English bank in the Laker rescue operation, from which it withdrew when Laker's financial situation worsened.

Midland said - supported by the Bank of England - that if its efforts to help Laker made it liable under anti-trust law, banks would in future hesitate to offer facilities to any customer, English or foreign, carrying on, or intending to carry on, business in the U.S.

Lord Justice Dillon said it would be a grave situation if English banks, when invited by the Bank of England to mount, for domestic English reasons, a rescue operation in England for an English company whose operating subsidiary had done business in the U.S., had first to consider the risk of being "entangled in the meshes of the U.S. anti-trust procedures."

The judge spoke of the "farrago of suspicion upon innuendo upon suspicion" that seemed to characterise the building-up of an anti-trust suit by U.S. pre-trial procedures, and suggested that it was important to insist on keeping U.S. anti-trust procedures within the U.S. territorial jurisdiction "in accordance with accepted standards of international law."

Lord Justice Neill accepted the liquidator's argument that it was premature to assess the sufficiency of the evidence against the banks. But, he said, given the English context of their dealings with Laker, justice required the appeal court to intervene to prevent them being subjected to the anti-trust proceedings.

He said it was not right for the court to criticise the wide-ranging nature of U.S. anti-trust legislation. He pointed out that "on this side of the Atlantic" also there were legal rules - such as Article 86 of the Treaty of Rome - designed to stimulate competition and control restrictive practices.

This advertisement is published by Debenhams PLC, whose directors (including those who have delegated detailed supervision of this advertisement) have taken all reasonable care to ensure that the facts stated and opinions expressed herein are fair and accurate and each of the directors accepts responsibility accordingly.

DEBENHAMS SHAREHOLDERS

*The following is the text of a joint press announcement
from Debenhams plc and House of Fraser plc released yesterday.*

“During the course of the Burton offer for Debenhams, House of Fraser has acquired 29,480,000 Debenhams ordinary shares (representing 17.52% of the issued share capital). The Board of Debenhams, advised by N. M. Rothschild & Sons Limited, has urged Debenhams shareholders not to accept Burton's offer, which it regards as inadequate.

House of Fraser regards its interest in Debenhams, with its rapidly rising profits and strong growth potential, as a sound commercial investment. The Boards of both companies believe that the two groups are compatible in terms of style, business and management. House of Fraser does not intend to accept Burton's offer and intends to purchase further Debenhams shares.

In particular, there are two areas in which the two groups intend to co-operate and which present major opportunities for increased profitability. These are as follows:

Financial Services

The last published accounts of Welbeck Finance plc, Debenhams' credit finance company, show that it made over £20 million profit before tax on average debt of over

£200 million, a return of nearly 10%.

With sales within House of Fraser now running at over £1 billion per annum and within Debenhams at over £700 million per annum a combination of the two credit businesses should lead to credit sales of over £500 million.

The combined credit businesses would then have some 2.2 million cardholders. A combination of the existing credit debts would produce debtor balances of around £400 million, expected to rise to approximately £600 million within two years.

Merchandising and Distribution

In view of the similarity of merchandise sold by the two groups through both their central buying and their shop-in-shop concessions, there are considerable operational efficiencies available through combined new investment and the sharing of existing resources.

Clearly these arrangements are subject to the Burton bid for Debenhams lapsing, to detailed agreement being reached and, as appropriate, to the approval of Debenhams' shareholders.”

Burton has put forward no commercial arguments justifying its repeated claims to be able to better the excellent performance of Debenhams. Burton, with or without the assistance of Habitat-Mothercare, has no record of the skills required in managing efficiently Debenhams multi-level stores. Nor have they declared any intention of continuing to offer customers the broad range of quality merchandise currently available in Debenhams stores. Furthermore Burton has, transparently, nothing to offer the other well-known Debenhams businesses such as Harvey Nichols, Hamleys, Lotus and Rayne.

*The stance of the House of Fraser reinforces your Board's view that
Debenhams shareholders should:*

- ☐ *reject Burton's inadequate bid*
- ☐ *retain their Debenhams shares*
- ☐ *continue to participate in the strong growth potential of Debenhams*

DEBENHAMS SHAREHOLDERS SHOULD NOT SIGN ANY FORMS SENT TO THEM BY BURTON

The New

DEBENHAMS

Specialists - above all

IGNORE THE
BURTON BID

KEEP YOUR DEBENHAMS
SHARES

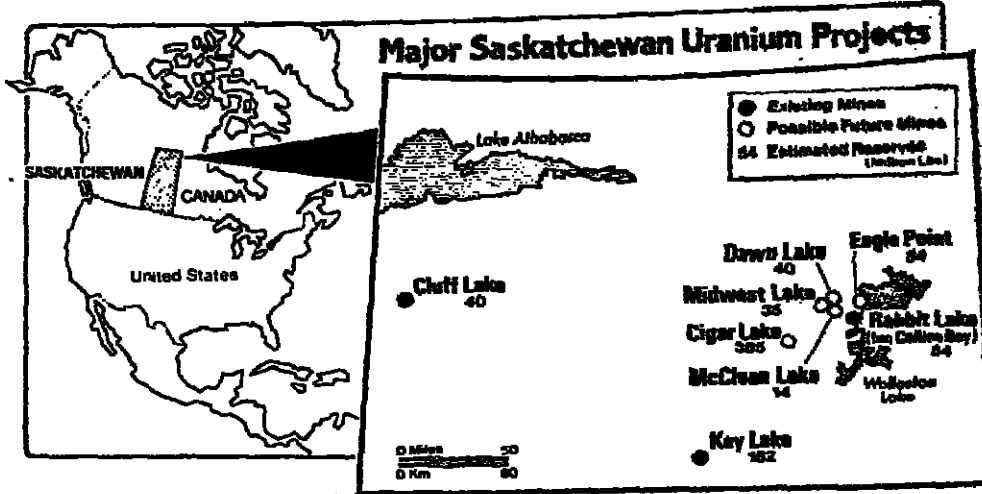
RESOURCES REVIEW

Saskatchewan makes sure of its key share of the world uranium market

By Bernard Simon, recently at Key Lake, Saskatchewan

The CBI says: "Not surprisingly, export optimism has ceased to rise strongly in this survey. However, a balance of 2 per cent are still more optimistic than a few months ago. This is the lowest balance since 1982, and all but the smaller companies report a fall in optimism."

Production costs at Key Lake are not disclosed. Said to be somewhat below C\$20 a lb, they are low enough for the three shareholders — the Saskat-



Besides its interest through SMDC, the Saskatchewan Government stands to benefit handsomely from royalty payments. Royalties rise according to a mine's rate of return, starting at 3 per cent of gross sales and reaching as much as 50 per cent. Saskatchewan's revenues from Key Lake taxes and royalties, likely to total around C\$120 million this year, could rise to \$400-600 million in the early 1990s if uranium prices rebound significantly.

The three participants in Cigar Lake—SMDCC (51 per cent), Cogema (37 per cent), and Idemitsu (12 per cent)—have formed a joint venture to explore the deposit by open-pit methods. It is still uncertain to what extent the advantages of low mill construction and unit operating costs will be offset by the additional costs of running a sophisticated mining operation. But Mr Lloyd at SMDCC asserts: "All the partners have complete confidence that it can be done profitably."

The timing of Cigar Lake's development, Mr Lloyd says, will be "market-driven." Based on expectations of firmer demand for uranium, the partners expect to start the strip-dump between 1992 and 1995.

The impact that Cigar Lake will have on the uranium market can only be guessed at, but the projections of new nuclear generating capacity, fast to materialise.

But he said there was no really suitable time for such an announcement. "I hear the criticisms about presentation from our own supporters, but I find them wholly bogus from the Opposition." He referred to a 35 per cent top-salaries award announced by Labour in 1978.

Clubs

1

The Tactical Edge

This year, First Boston's Merger and Acquisition Group has acted as financial advisor on 5 of the 6 largest deals, more than any other investment banker.

1985 Transactions

Acquiring Companies	Acquired Companies	Form of Transaction	Transaction Size
General Motors Corporation	Hughes Aircraft Company	Sale of Stock*	\$5,300,000,000
Allied Corporation	The Signal Companies, Inc.	Merger for Cash and Common Stock*	5,000,000,000
Baxter Travenol Laboratories, Inc.	American Hospital Supply Corporation	Merger for Cash and Securities*	3,800,000,000
Capital Cities Communications, Inc.	American Broadcasting Companies, Inc.	Merger for Cash and Warrants*	3,500,000,000
Nestlé S.A.	Carnation Company	Cash Tender Offer	3,000,000,000

First Boston's clients are indicated by bold type.
*Pending transaction.

These transactions are also 5 of the 6 largest industrial deals ever initiated. The results reflect the effectiveness of First Boston's Merger and Acquisition Group.

Custom Tailoring

We regard each situation as unique. Whether the assignment calls for a simple transaction, a series of divestitures or a corporate restructuring, First Boston customizes an approach which assures a superior execution for its clients.

Creativity

Consistently successful application of creative tactics is a hallmark of First Boston's Merger and Acquisition Group. Our tactical innovations often spell the difference between success and failure in complex transactions. First Boston is also the only firm with a creative group devoted to the development of sound strategic acquisition policy for its clients.

Judgment

Knowing when not to act is sometimes more important than knowing when to act. In advising our clients, not to do a deal is as important as knowing when to do one. First Boston's reputation for sound judgment is well known.

Experience

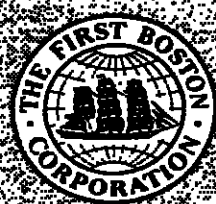
The record reflects First Boston's ability to consistently meet client goals. In 1984, First Boston acted as financial advisor in over 130 merger, acquisition, divestiture and leveraged buyout transactions, more than any other investment banker.

Resources

First Boston has the unequalled depth of a 200-year Merger and Acquisition Group, with 200 fine M&A professionals in New York, Atlanta, Boston, Chicago, Houston, Los Angeles, San Francisco and London. We also draw upon our specialized M&A expertise in divestitures, leveraged buyouts, defense and major industries in formulating strategic options. Together with corporate finance and equity research professionals, and our international affiliate, Credit Suisse First Boston, the Merger and Acquisition Group coordinates a broad network of financial advisors to serve its clients.

First Boston gives its clients the tactical edge. Shouldn't you have First Boston on your side? Call the Merger and Acquisition Group at (212) 909-2603.

Leadership in Mergers, Acquisitions and Divestitures



First Boston

Park Avenue Plaza • New York, NY 10055 • (212) 909-2600

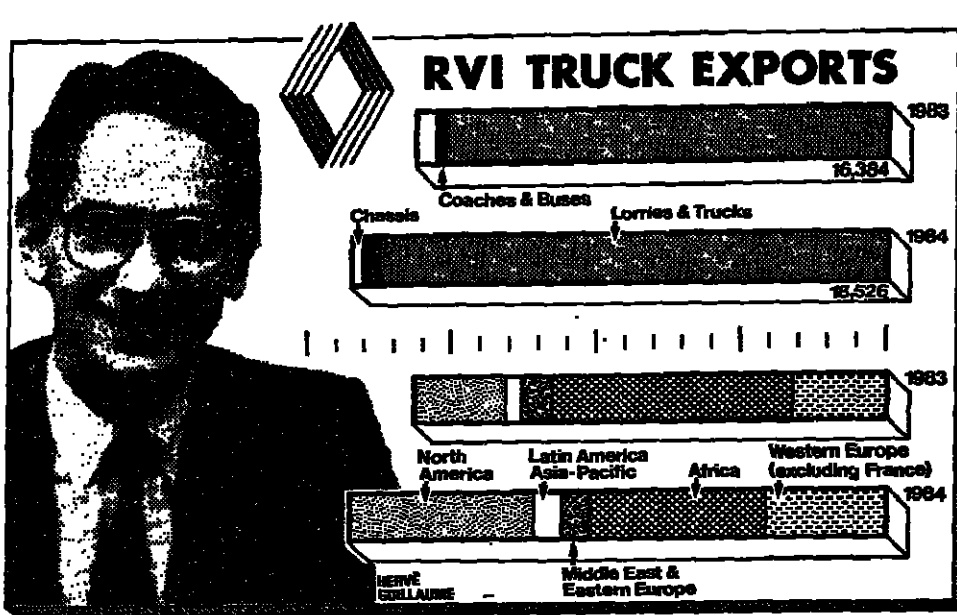
MANAGEMENT

"OUR STRATEGY is based on the simple fact that we sell and we will sell fewer and fewer lorries in the world," philosophically says Hervé Guillaume, the new commercial director of Renault Trucks. Guillaume, the new commercial director of Renault Trucks, is developing a number of big export markets in the future, he is developing businesses which will compensate for this decline. "What we will be selling more and more of are packages involving trucks, components, services and engineering. In short, we will be selling co-operation to partners interested in our technology and products."

In recent months, Guillaume and his recently restructured team have been seeking to develop and intensify co-operative efforts between RVI and a number of export markets spread across the world from Latin America, to Africa, to the Far East and China. The Renault group has lost 2.99bn FF (245m) while the Renault group chalked up record losses of FF 12.5bn in 1984. Moreover the French truck market has continued to be depressed, with sales in the first five months of the year 22 per cent lower than during the same period last year. RVI, which has about 40 per cent of the market, expects truck sales in France to total between 33,000-35,000 lorries this year compared with an initial forecast of about 38,000 lorries.

Although there has been a small improvement in export sales in Europe, other overseas markets, especially in the developing world, have continued to decline. Overall, RVI had a respectable export performance last year with export sales of FF 4,870bn or 37 per cent of the company's total sales of FF 13,550bn. 1984 exports were 33.1 per cent higher in volume than in 1983 although they declined 18.9 per cent in value in developing countries and by 26.9 per cent in Africa. However, Guillaume claims that RVI retreated less than its main competitors in these markets where the competition saw its sales decline by about 40 per cent.

To consolidate and expand RVI's position in developing export markets, RVI has adopted what Guillaume calls an open-minded approach to co-operation with any French company prepared to enter into a wide range of co-operation and barter compensation agree-



Renault finds a barter way to sell trucks

BY PAUL BETTS IN PARIS

ments with partners in developing countries. But Guillaume emphasises that RVI is not prepared to make deals which lose money. "Most countries want to set up a mechanical and motor industry. But it is not my job to subsidise a national industry in France or elsewhere."

RVI, like other large European exporters, makes widespread use of barter compensation agreements with developing countries for payment of its equipment or services. About half of RVI's export sales outside Europe and North America involve some form of compensatory agreement. From some countries, RVI buys components for its own truck and bus production or various commodity products which it subsequently resells. "Sometimes the barter can involve an entire contract, sometimes on 10 per cent of a sale," Guillaume explains.

Guillaume does not believe in blockbusting co-operation deals which can form the basis of lasting and growing co-operation with any French company prepared to enter into a wide range of co-operation and barter compensation agree-

with sub-contractors, and have major political connotations. "Our aim is to develop bilateral ventures into multi-lateral co-operation deals between a number of different parties," he says. RVI, for example, sold 150 trucks to a Turkish company called Trans-turk which needed lorries to supply 350,000 tonnes of pipes made by the French Saint-Gobain-Pont à Mousson group to Iraq for the Baghdad water-works. RVI was paid for the trucks with Iraqi crude oil.

Guillaume says that in many cases, the French group sees this deal, albeit modest by comparison with some other co-operation ventures between China and Western motor concerns, as a way of becoming an important partner for the Chinese in their efforts to build a lorry industry of their own. In turn, RVI hopes to see its sales of components to China increase. "And this does not prevent us also from selling lorries to China," adds Guillaume.

RVI is also beginning to reap the fruits of its collaboration in export markets with Mack Trucks, the U.S. truck manufacturer in which the French company holds a controlling stake. For example, through Mack, RVI has just won its first contract to supply buses to an Australian urban transport authority. The contract involves 60 buses for the city of Perth and is expected to be

looking for a quick intermediary solution to their diesel engine needs while the Naples plant has no longer of interest to RVI.

The deal is interesting for RVI because it will give the Renault truck subsidiary a second source of diesel engines for trucks manufactured in other countries under RVI licence. More significantly, the French group sees this deal, albeit modest by comparison with some other co-operation ventures between China and Western motor concerns, as a way of becoming an important partner for the Chinese in their efforts to build a lorry industry of their own. In turn, RVI hopes to see its sales of components to China increase. "And this does not prevent us also from selling lorries to China," adds Guillaume.

RVI is also beginning to reap the fruits of its collaboration in export markets with Mack Trucks, the U.S. truck manufacturer in which the French company holds a controlling stake. For example, through Mack, RVI has just won its first contract to supply buses to an Australian urban transport authority. The contract involves 60 buses for the city of Perth and is expected to be

followed up in coming months with a contract for another Australian city. "Mack has been in Australia for donkeys' years. We would never have attempted to penetrate the Australian market without Mack. It would have been beyond our means," remarks an RVI senior export official. Apart from bus deals, Mack's Australian subsidiary is now assembling a 38-tonne Renault truck model in Australia.

RVI is also seeking to use its Mack connection to boost its penetration of the Latin American market where the French truck company has traditionally been weak.

After the dramatic top management reshuffle at Renault at the beginning of this year, there were some initial doubts about Renault's future intentions over Mack. But Philippe Gras, the new chairman of RVI, has made it abundantly clear that Renault has no intention of selling its controlling share in Mack and that he intends to make the most of the commercial, industrial and research development synergies between Mack and RVI. Gras has also been seeking joint ventures with other truck producers in specific components sectors like gearboxes and castings to achieve more rational economies of scale. To this end, RVI recently signed a letter of intent with Rockwell of the U.S. to collaborate in the production of gearboxes.

But what is typically thought to motivate managers today? Money. The swift change of the company's policy in Britain is shown by a study of executive pay policies in Britain just made by the Spencer Stuart headhunting consultancy. It asked about the present policies of the chiefs of 32 companies which it had questioned on the same topic only five years ago.

In 1980 a good steady salary, supplemented by company perks was seen by most chief executives as the most valued form of remuneration. The chiefs mostly believed that the optimum rewards for managerial success were a "decent" salary regularly reviewed, an array of fringe benefits symbolising respected status in the company, and a secure job with a good pension at the end of it. In particular, the notion of handing senior people extra cash as a direct reward for extra achievement was "viewed with a mixture of suspicion and distaste... It was acknowledged that these things were done elsewhere—but not in the UK where top people worked out of a sense of pride and achievement. Five years on, this is no longer the case," Spencer Stuart says.

Money is the root of . . .

. . . motivation, reports Michael Dixon

WHAT motivates managers? The answer researchers increasingly get when they put the question to companies nowadays suggests executives have undergone a swift and thorough change of character, at least in Britain.

Not long ago managers were typically thought to have complex driving mechanisms. Trendy employers' replies would probably have cited "Herzberg's positive motivators": opportunities for achievement, responsibility, advancement and self-development as well as the intrinsic interest of the work. Traditional employers might rather have cited a sense of moral responsibility in executives, a little short of noblesse oblige. Recognising that they have been endowed with superior abilities, they in return take pride in using them to the full.

But what is typically thought to motivate managers today? Money. The swift change of the company's policy in Britain is shown by a study of executive pay policies in Britain just made by the Spencer Stuart headhunting consultancy. It asked about the present policies of the chiefs of 32 companies which it had questioned on the same topic only five years ago.

In 1980 a good steady salary, supplemented by company perks was seen by most chief executives as the most valued form of remuneration. The chiefs mostly believed that the optimum rewards for managerial success were a "decent" salary regularly reviewed, an array of fringe benefits symbolising respected status in the company, and a secure job with a good pension at the end of it. In particular, the notion of handing senior people extra cash as a direct reward for extra achievement was "viewed with a mixture of suspicion and distaste... It was acknowledged that these things were done elsewhere—but not in the UK where top people worked out of a sense of pride and achievement. Five years on, this is no longer the case," Spencer Stuart says.

Since Margaret Thatcher's Government cut the top tax rate from 60 per cent to 40 per cent, the previously proliferating perks have been thinned out with a vengeance. There was also general

Gone are embellishments such as exotic office furnishings, clothing allowances and fees for the children's private schooling. True, company cars, medical insurance and comfortable pensions largely survive, but only because they are tax-efficient.

"If the situation changes, most companies are prepared to jettison them just as they jettisoned school fees and the like. It is understood that it would then be necessary to compensate with more money." Of the money paid at the moment, most almost always still comes in the form of a "decent" salary—by which the 32 chiefs questioned apparently meant above the average reckoned to be paid by competing concerns. But with few exceptions the British employers have now overcome their distaste for rewarding specific successes with cash handouts.

"Companies have become much more goal oriented, and one of the ways to achieve those goals has been to motivate through the implementation of direct financial incentives."

Incentive

These should not be confused with bonuses, says Stuart. Bonuses are gifts bestowed to celebrate joyous events such as good trading results, Christmas, the chairman's birthday, etc. A direct financial incentive, by contrast, is "a payment in addition to salary that is awarded for meeting previously agreed objectives. The recipient participates in setting the objectives and is able to predict the money value of the incentive."

With but three exceptions, the incentives offered by the surveyed companies had a top limit. It ranged from 20 per cent of the recipient's salary up to 60 per cent, with an average of 37.

There was general agreement that such payments should be available only to people whose decisions and actions can actually affect results. One, but only one, of the companies recognised that in achieving goals executives tend to owe much to other people's efforts. It handed its successful managers not only their own individual reward but also an equal sum to distribute among their most deserving helpers. There was also general

agreement on the need to refrain from using the payments as a flexible means of topping up salaries or, especially, as a reward for hard work rather than good results.

"Occasionally outside influences will play havoc with a carefully constructed scheme after consulting effort by the management. When that happens, the chief executive must hold off making 'special exceptions.' If the relevant outside factors weren't taken into account when the targets were set, the incentive should not be paid."

In the chief's own case, the consultancy says, any incentive payments need to be determined by criteria which the chief is clearly unable to add. "For example, the decision to add windfall profits into the total mix should not be seen to benefit the chairman whose final decision this would be."

Schemes for rewarding chiefs should stand apart from those for subordinate managers, and be approved and monitored by the company's non-executive directors. Since chief executives' prime concern ought to be the long-term health of the business, it was often thought that the best way of rewarding their special successes was a share option scheme. Was a share option scheme, similarly linked their share option schemes for lower ranked managers to achievement of targets.

The change over the past five years from "praise to money" to "praise to money" attitudes, "their personal involvement in working towards goals they helped set, imparts a sense of excitement and personal satisfaction that appeals to more entrepreneurial managers," Spencer Stuart adds. "These were managers who used to respond to direct financial incentives—they demand them."

But in case anyone should think that the shift from moral responsibility to money grubbing in the executive's motivation has converted them into boardroom barbarians, the consultancy says that good manners, business and respect remain the rule. "The attractive features of traditional British management style have not been sacrificed to ensure good performance."

TECHNOLOGY

Testing time for Aids screening

Peter Marsh looks at rival methods of checking blood supplies

THE Wellcome Foundation, a British pharmaceutical company, is likely to be the chief beneficiary of the relatively long time that Britain has taken to decide to introduce tests for screening blood supplies for Aids.

Trials on various commercial tests should be completed in the next two weeks, and a full screening service costing £5m a year for hospital transfusion supplies should start in the autumn. A preliminary announcement is expected this week.

Although commercial kits for the Aids antibodies have been available from U.S. manufacturers since the beginning of the year, the UK Department of Health and Social Security refused to introduce them on the grounds that they produced too many "false positives"—results which show the Aids antibody but which later turn out to be negative.

Doctors in Britain argue that they want a reliable way of ensuring that blood donors are not told incorrectly that they have Aids.

The human body produces Aids antibodies naturally in response to infection by the

HTLV-III virus that causes Aids. According to medical statisticians, people with Aids antibodies in the blood stream have a 5 to 25 per cent chance of having the disease, but the estimated about 180 lives in the UK and 10,000 in the U.S. Aids (Acquired Immune Deficiency Syndrome) weakens the body's resistance to disease and is almost certain to cause death.

The disease has spread mainly by infection among homosexual men and drug abusers. People can also catch Aids through receiving transfusions of blood donated by infected individuals. To reduce the danger of the disease spreading in this way, virtually all the 12m donations of blood in the U.S. are screened for Aids antibodies, while West Germany, France and Australia are introducing similar services.

The delay in introducing screening in Britain has given Wellcome the chance to leap into the business of producing diagnostic kits for Aids, a market that could be worth £100m-£200m worldwide by the late 1980s and which is now dominated by U.S. companies, chiefly Abbott Laboratories.

In recent months, Wellcome has moved rapidly, joining forces with two London research groups to produce a test that may have significant technical advantages over rival kits.

Dr Richard Tedder, of the Department of Virology at the Middlesex Hospital, worked on the scientific aspects of the test while Professor Robin Weiss, director of the Institute of Cancer Research, isolated the Aids virus on which the product is based.

The U.S. companies, in contrast, are working with Aids viruses produced by Dr Robert Gallo of the National Cancer Institute in Maryland. A rival test under development at the Pasteur Institute in Paris has "grown" from cell cultures a further strain of the virus, which are the basis of other diagnostic tests under development in France.

Wellcome is entering into commercial agreements with the two London institutes to use their techniques in mass production of the kits. These have to be fairly cheap (Abbott sells its tests for £1-£2 each) and easy to use by unskilled workers.

Unilever and Boots-Celltech, two other British-based pharmaceutical groups, were given the chance to market Aids tests based on the work at the Middlesex Hospital but turned down the offer.

According to Wellcome, its test produces virtually no false positives. In the U.S. the American Red Cross uses the Abbott kits and is responsible for collecting about half the blood donated for U.S. trans-

fusions. About 75 per cent of the tests that give a positive result later turn out to be negative.

As a result, elaborate checking arrangements are needed to retest all positive results before donors are told that Aids antibodies are in their blood.

Wellcome says its product performs better because it is based on an intrinsically more selective way of spotting Aids antibodies in blood samples.

Three American companies have applied for the U.S. Food and Drug Administration to sell diagnostic kits for Aids—Abbott, Litton and Electro-nucleonics. At least two other manufacturers, Travasol and Di Pont, are working on their own techniques.

Like the Wellcome test, the American kits use an immunosay method to detect Aids antibodies in a sample of blood. The antibodies are proteins which bind with, and so render ineffective, the HTLV-III virus, known as an antigen.

The molecular structure of the antibody is such that it links selectively to the antigen with which it is "paired," in much the same way as a key fits a lock.

In immunosay techniques, biochemists exploit this antibody-antigen binding procedure to test for particular proteins that indicate disease or some other medical condition.

The market for immunosay techniques is put at \$1.5bn annually, out of a total world business in diagnostic medical kits of \$5bn.

In each of the tests for Aids, confirmed positive after the Western blot test.

Importantly, however, the Abbott tests have a good record in their sensitivity to Aids antibodies, according to Dr Sandler. In other words, they give virtually no false negatives—results where the tests fail to record the antibodies in the blood stream.

"Although scientists may find it unsatisfying that the Abbott tests lack specificity, we stressed to Abbott that sensitivity was our main concern. In practical terms, the tests have been very successful. Virtually overnight, they made



Dr Richard Tedder testing for Aids antibodies at Middlesex Hospital, London

a specimen of the HTLV-III virus (heat-treated to render it impotent) is stuck to the surface of a small plastic well or sphere.

What happens next depends on the exact nature of the test (see below). But while the U.S. tests involve two incubation procedures during which an antigen-antibody reaction takes place, the British kit involves only one.

This reduces the risk that the test will give a positive result in the presence of proteins other than Aids antibodies. Sometimes an antigen can bind to proteins other than the antibody to which it is paired—just as a householder may occasionally find he can fit his key into someone else's front door.

Scientists have found, for instance, that a protein called rheumatoid factor sometimes

becomes attached to the HTLV-III virus in the diagnostic test, giving a "false positive."

Trials at the chief reference laboratory of Britain's Public Health Laboratory Service in Colindale, North London, have finished the first stage of an evaluation of the commercial kits for Aids. The laboratory tested the kits made by Wellcome, Abbott, Litton and Electro-nucleonics (the last of which is marketed in Britain by Organon, a Dutch company).

The results of the trials have not yet been made public. But it is believed that the Wellcome and Organon kits came out of the tests particularly well.

In the work at Colindale, chemists tried out the kits on samples from three groups: 220 UK blood donors selected at random, 83 people from the "high risk" groups such as

homosexuals and 57 men and women suffering from virus conditions such as glandular fever, which could be confused with Aids.

In further tests, workers at two blood transfusion centres, in Manchester and Edgeware in north London, last week began to compare the kits' performance using a much larger sample of 12,000 donations of blood collected from around Britain in recent months.

After the trials, the DHSS plans to introduce routine screening using one or more of the kits of the 2m donations made each year to the National Blood Transfusion Service.

Assuming each test costs about 25p, the department will have to pay about £5m for diagnostic kits alone.

Other costs, for instance for more medical staff to do the testing and check the results, are likely to bring the bill to at least £5m.

Under a £500,000 contract, the Cambridge company is producing computerised hardware that translates this information into signals that activate laser writing devices.

The system will produce a red line on a map, indicating the radio bearing that has been received. When two or more bearing lines intersect on the map (which may be the size of a wall) the aircraft position is known to within an acceptable distance and a communications system automatically links an emergency controller to the pilot.

With this information, rescue services can be directed quickly and accurately to major incidents.

Lasers help locate planes in distress

TWO MINISTRY of Defence air-traffic control centres are updating technology to display information about aircraft in distress using laser-writing systems supplied by Laser-Scan of Cambridge.

The centres, at Prestwick and West Drayton, will use digital information about aircraft in trouble from networks of automatic radio stations. These bases receive "Way Day" calls from pilots of stricken aircraft and then relay data about the vehicles' positions to the control centres.

Under a £500,000 contract, the Cambridge company is producing computerised hardware that translates this information into signals that activate laser writing devices.

The system will produce a red line on a map, indicating the radio bearing that has been received. When two or more bearing lines intersect on the map (which may be the size of a wall) the aircraft position is known to within an acceptable distance and a communications system automatically links an emergency controller to the pilot.

With this information, rescue services can be directed quickly and accurately to major incidents.

Jet age engineering

Air jets are an important feature of a vibratory-bowl feeder system produced by Hiltner Precision Instrumentation, a company on Salford University's science park.

Components channelled by the system to, for example, automatic assembly or hardware or machine tools, are kept in place by blasts of air. Other mechanisms sense the orientation of the components, which could be screws or small pieces of metal, and those pointing in the wrong direction are ejected.

1500000000

THE ARTS

Television/Godfrey Hodgson

Sorrow and joy of the blues

Sorrow and joy: raw gusto and an elegiac nostalgia for a lost world; a driving will to survive and a wistful self-mockery. You can find all of that, and a lot more, in the blues at its dazzling, authentic best, when black men and women were making music for themselves and for other black men and women, and pouring into strangely austere forms all the frustrated energy of the black American nation. You can find shallow self-pity, leering salacity, repetitious musical clichés and servile facetiousness, too, when black musicians are clowning for the white man's dollar.

BBC's audacious *Blues Night*, which started on half past eight on Saturday evening until half past one on Sunday morning — no doubt in imitation, however half-hearted, of the late hours blues sessions always kept — was a fascinating experience.

The structure of the programme was loose and seemed almost accidental, as though someone at the BBC had noticed that B. B. King was in town, and the whole thing just grew like Topsy until its outside proportions rivalled those of Brother King himself, a vast, smiling, moon-faced man with the instinctive wit and modesty that work better than all the hype and glitz and razzmatazz in the world when it comes to making people like you on the box.

Why didn't he play in a certain style, he was asked at one point by the interviewer. "Well," he said, after rippling off a pastiche of Django Reinhardt at twice the speed of sound, "I guess I got stupid fingers!"

So the form of the evening was a multi-layered sandwich, with a medley of films about, or at least containing, blues in many kinds, propped apart by solid interviews with B. B. King by a pleasant fellow with a blond beard called John Walters. He seemed to know a lot about the music, and at least it was plain that he really cared for the music. B. B. King helped him, with a stream of gentle anecdotes, and



The "music of life" for B. B. King

the occasional sharp reminder that he hasn't come all the way from where he started without knowing how to handle himself when it counted. Some of it — T-Bone Walker, for example — for all but unquestioning aficionados, is embarrassingly trite and self-conscious. But one of the advantages of listening to five hours of music was that you heard enough of the bad as well as the good, to develop a theory of why it sometimes can be so terrible, when it can sometimes be so sublime.

The answer, surely, lies in the proposition I began with. Blues music has a chance to reach imposing pinnacles of artistic purity and power when it is played to black people, or to white people who are willing to understand it for what it is. It is painfully bad when it prostitutes itself to a commercial audience that neither knows nor cares what the music is trying to say.

The blues comes in many forms. It can be fast or slow, vocal or instrumental; it can play it on the piano or on the guitar, solo or ensemble. But essentially it is a personal lament that is also a coded statement about an historic wrong. Its power and dignity come in part from the fact that blues players and singers are their own masters. They know that they are singing, not only for personal catharsis, but for solidarity as well.

Pretextual language for a song like Blind Lemon Jefferson's? Now gather 'round me, people, let me tell you true facts, Now gather 'round me, people, let me tell you true facts, That tough luck has struck me, and the rats is sleepin' in my hat.

I don't think so. One reason is that the music is always bad when it only aims to please. When B. B. King plays for college audiences, like Louis Armstrong before him, he doesn't seem to know how good he and his music really are. "Have you been having a little fun?" he asks, and they squeal, as once they squealed for the Beatles, and for Sinatra, and before him for the Andrews Sisters. It is almost as if those commercial audiences like the blues musician, not for his virtues, but to the extent that he is prepared to abandon them. And that, of course, the true blues musician can always be outbid.

It is not that you have to have been a sharecropper to play the blues, or even to be black. B. B. King himself put his interviewer right about that, and we heard Mose Rager, a white man, singing *Backwater Blues*, about the great Mississippi floods of 1926 in indisputably the true voice.

It rained five days, and the sky turned dark as night And we heard Charlie Feathers, who played with Elvis Presley before he ever left Memphis, and who rightly said: "This sang like the coloured people sang," and then added, in case we did not know what he meant, "... a lot of people down there call them niggers."

All the great blues players understand that, sorrowful or full of joy, theirs is profoundly serious music. Take Blind John Davis, sensitively interviewed by the inimitable *Kids Reel*. Davis is an old man now, born blind. He has never seen the keys over which his long fingers run with such sinuous power. "A lot of people think this is sad music," he told *Reel*. "But I can be happy or sad. We lived the blues. Or take Muddy Waters, the originator of the harsh, urban style of Chicago blues. "The type of blues I sing," he said, "is the blues that pay the cost of their own lives. Or take B. B. King himself. "The blues," he said, "is a music of life."

The Tempest/Santa Fe

Max Loppert

John Eaton, who a few years ago was described on this page as "the most interesting opera composer writing in America today," has given the 1985 Santa Fe Festival its latest world premiere, *The Tempest*, a three-act opera on Andrew Porter's Shakespeare adaptation, represents an immense undertaking for this (or any) company — a spectacular deployment of complex musical forces (large cast and orchestra, sophisticated electronic equipment, small Renaissance instrument group, jazz trio), in ways that indicate an imaginative fresh approach to Shakespearean opera.

In the wonderful Santa Fe auditorium, with the rear of the stage opened to catch the late rays of daylight, and the audience exposed to moon and stars (and to any sharp mountain breezes that may suddenly arise), it came across as a vigorous, confidently accomplished piece of work. Whether their plans to produce it should be attempted in other, less specialised operatic circumstances is open to doubt.

Eaton is a many-faceted musical mind (composition professor at Indiana University and computer center director at Indiana University, formerly jazz pianist and electronics concert practitioner) and a brave man besides. For the course of producing four one-act and three full-length operas, he has already tackled *Aeschylus*, *Sophocles*, and *Dostoyevsky*.

Porter has inspired Eaton to extraordinary astute, shapely and practicable basis for an operatic *Tempest*. It's a treatment that (like Peter Pears' fashioning for Britten of *The Dream*) makes room for rehearsal and premiere, I feel that Eaton's vocal writing, for all its microtonal ingenuities, quite lacks the "animal" quality that any durable opera must command, the quality of being not just gesturally apt in context but instinctively right and instantly memorable. The uneven placing of Act 1 (which, at roughly an hour, is far the longest of the three), seems to proceed directly from Prospero's lengthy exposition is filled with appreciable detail but deprived of internal energy or accumulating momentum.

A more serious, general doubt concerns the apparent inability of the musical language to penetrate the play's subtleties, as distinct from its surface. The music, I feel, only in surface — there is no deep centre to the work, no genuinely musical arguing-out of what Prospero calls "the organised contrasts" between Prospero's world and the world of the vile, between the worlds of Art and Nature.

The jazz Caliban provides a sharp pointer to the central vacuum — the audience may have enjoyed the jolly bounce of the "ban, ban, Caliban" and "Freedom, high day" cries that close Act 1, but the troub-

ling, post-colonial implications of the character disappear in the process. Among post-war Shakespeare operas, and as an example of multi-layered opera of more recent stamp, Henze's *We Come To The River* being another example, Eaton's "technological *Tempest*" holds an honourable place. But in relation to the higher claims of opera, it seems to me that it doesn't quite measure up. How much of this one should properly blame on the Santa Fe production is hard to gauge. It is given in the horribly unpoetic single set (a basic coral-like structure composed of thin, foil-covered "fingers") and vulgarly dressed costumes of Allen Charles Klein — and though the producer, Bliss Hebert, has clearly not been unaware of the score's workings, he appears to have settled most often for the easy, obvious method of compassing them on stage. In fairness, he has committed only one act of really serious misadventure: the jolly, jaunty Ariels who flash up at assorted points of the coral. Any charm or pathos in the character, and



Timothy Noble as Prospero with Sally Wolf as Miranda

in the singing of the excellent Susan Quittmeyer, is largely counteracted (and amplification makes for inaudible words).

But Eaton has been very well served by a team of energetic, committed players, dancers, and singers, all of them American apart from one notable exception. This is the ENO's Ann Howard, a Santa Fe favourite, who makes a vivid impact, within given limitations, as an idiomatic, unembarrassing Caliban. (I wonder how *Elis Fritzsche* might fare. The dusty young lovers are Sally Wolf and Colanton Freeman (he consistently too loud). Among the nobles Kevin Langan's mellow bass, Gonzalo stands out, Glimi Ben's Stephano is witty and unforced.

And the Prospero of Timothy Noble, who next year comes to Glyndebourne as Boccanegra, crowns the performance magnificently — imposing of stature, thoughtful of manner, possessed of a beautifully firm high baritone (if he and others had not copped so confidently, one might well have deduced from the score that Eaton's notions of available vocal range are wildly unrealistic). The conductor, no less Prospero-like in his mastery of complicated arts, is Richard Bradshaw.

Swan Lake/Coliseum

Freda Pitt

abandon the part. On Monday, though, one's impression was that the story should be reworded to the effect that the Princess Mother is concerned that her middle-aged stepson before he remains a bachelorette. Although Nureyev evidently knows the Tokyo version and adapts himself to it both in a couple of ensemble dances and in the rather sensitively choreographed Act 3 pas de deux, he inevitably looks something of a chameleon in these Japanese surroundings.

While the company is making its London debut, Yoko Moroshita is already known to audiences here. Technically competent, she was at her best in the Act 3 fireworks. The female corps is well drilled, but the movements did not seem to come from the centre and flow through the body, so that the spirit of the work was almost completely absent; the sense of tragedy in Act 4 particularly so, partly because, as in Act 2, Ivanov's choreography has too often been replaced.

Time was when to see Rudolf Nureyev dance at all guaranteed a truly festive experience; these days, however, the term "Nureyev Festival" rings distinctly hollow, so that the current run at the Coliseum would be more accurately described as "The Matsuyama Ballet of Tokyo, guest artist Rudolf Nureyev." On Monday evening, Nureyev looked so tense and exhausted, and his dancing so effortful and jerky throughout, that the only charitable conclusion to draw was that he was suffering from an indisposition or injury. He has certainly danced with much greater vigour and persuasiveness at the Paris Opera this year, so one can only hope he will be at his best as the season progresses.

The Japanese company's production of *Swan Lake*, staged by Tetsutaro Shimizu, turned out to be a characterless, mostly orthodox one, apart from an odd ending in which, after vanquishing the evil magician Von Rothbart, Prince Siegfried exclaims the dying Odetta back to life. This happy ending mirrors Soviet versions, whereas in the main the production adheres more closely to Western ones, for example in the absence of the Jew.

With elaborate scenery and costumes (designer unnamed) and decent orchestral playing under David Coleman, this production probably gives anyone who has not seen *Swan Lake* before a fair idea of what ballet. There is no point, however, in denying that the short arms and inexpressive features of the Japanese girls militate against the success of the performances, with a largely Western audience, even if Monday's large one sounded quite enthusiastic. Nureyev has appeared as Siegfried with innumerable companies round the world, but rarely before with one so hard to identify with — both for him and for us.

Pinter play at the King's Head

Harold Pinter's one-act play *The Lover* opens at the King's Head Theatre Club on August 6. The play has not appeared in London since its original production in September 1963 at the Arts Theatre.

The Devil Rides Out—A Bit

Martin Hoyle

Baxter, Birch and Henry round like an old musical hall act. And despite the would-be zaniness of their shot at inconsequential and surrealistically digressing narrative, their basic joke is the audience turn of a serious member of the team attempting to tell a story while being cheerfully sabotaged by the clowns.

The story is a Denis Wheatley spoof, the method reminiscent of even more ambitious enterprises by the National Theatre of Brent. Nay, the result, rambling and uncertain of aim, with arid patches on a likeable trio whom one would like to see in better material.

The straight man is a woman. Susie Baxter works tirelessly as narrator and principal player in the Wheatley send-up. She offers both upper-class candour and heavily-accented victim of satanism besides, in the evening's disjointed first half, trying to instil some order into her colleagues' and company's lecture on symbols of purity.

The company has been based in Battersea for two years and much of its work has concerned improvisation with a wide range of local groups, from youth clubs to the people's homes. This explains the unsophistic-

ated, not to say juvenile, style of much of the performance which had me wondering about the age and theatre-going experience of the intended audience even before Thomas Henry rushed on to do a mock-panto participation piece.

Mr Henry (the son of Tommy Cooper) has a cheerily bumptious comic personality that ingratiates; but the most individual personality is that of Michael Birch whose boy face, deep-set eyes and look of an unrepentant inner haunter make him ideal casting for the young Rudolf Hess. Or even the old Rudolf Hess. All three labour with a will in the Caring confines of the Lyric HammerSmith's little studio theatre; but too much of the material sounds as if it has been cobbled together by willing helpers in a school drama workshop.

New director for Chester Festival

David Laing has been appointed director of the Chester Summer Music Festival in succession to Martin Merry.

Three-part Prom/Albert Hall

Dominic Gill

Monday's Prom contrasted three major orchestral works by three living composers. Messiaen's *Et exspecto resurrectionem mortuorum* is designed for performance in vast spaces — "churches, cathedrals, even in the open air or on high mountains." It is also one of his most entirely seductive and thrilling instrumental creations (the more so because no part could conceivably be found in it for the *ondes Martenot*). It makes a magnificent opening to any Prom: the BBC Symphony Orchestra under Peter Eötvös gave it with fervour and with exact sense of proportion.

Xenakis's *Ais* for baritone and percussion soloists with orchestra is a work somewhat in the line of Stockhausen's *Trans* or Laszlo Vidovszky's *Death of Schroeder*: the initial impact is bizarre enough to provoke nervous laughter, but the very force and momentum of the music quickly gains the upper hand. Nervous giggles of disbelief at the raucous fiasco of the baritone, Spyros Sakkas in the opening pages gave way to attentive absorption. Xenakis's gift above all is to convince us, almost against our will, with his fiery, elemental music that his world exists.

The world of Steve Reich's *The Desert Music* exists right enough; but it is by and large confined these days to the window-displays of souvenir shops on the promenade of seaside towns. "used to find much of Reich's 'system' or 'process' music interesting, and often stirring; *Drumming*, for example, or *Music for a Large Ensemble* were notable for their absolutely uncompromising purity of intention — an unfolding, inevitable as ocean waves, of a preordained process whose every ripple and permutation was perfectly crystal clear. The very uncompromising directness of the proposition gave the music its strength.

It is hard to know, certainly, exactly where else Reich could have gone from there. *The Desert Music*, however, shows him to have turned from brilliant inventor to self-conscious bad composer: a symphony of systems-kitsch for orchestra and choir as crisp and concise as steamed marshmallows — system-Liberace, without the jewels or the fun. In the context of B. B. King and Xenakis, the equation couldn't have been clearer: it's not the music that's minimal in *The Desert Music*, but the diamond-hard stuff of inspiration.

Arts Guide

THEATRE

Cats (Winter Garden): Still a sellout, "Trevor" is the second act. Eliot's children's poetry set to trendy music is visually startling and choreographically felicitous, but classic only in the sense of a rather staid and overblown idea of theatricality. (238 6282).

Good Street (Majestic): An immediate celebration of the heyday of Broadway in the '30s incorporates gems from the original film like *Shuffle Off to Buffalo* with the appropriately trash and leggy boogie by a large chorus line. (978 0209).

Dreamscape (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the energy of a 1960s female pop group, *La Supremes*, without the quality of their music. (238 6200).

Brilliant (Theatre Royal): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Savoy): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (238 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work

well with Tony Straige's pretty set and James Lapine's book which changes gears in the second act. (238 6262).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (787 2826).

Comet of Monte Cristo (Eisenhower): The second production of Peter Salazar's new American National Theatre company is the James O'Neill version of this swashbuckler. (254 2670).

Man of La Mancha (The Japanese version): Directed by Takao Nakamura, starring Kishiro Matsumoto. Performances also on Sunday, Imperial Theatre, near Imperial Hotel, Hibiya. (213 7221).

Sweet Bird of Youth (Haymarket): Lauren Bacall elegantly decadent as Tennessee Williams's doomed movie queen, Harold Pinter's direction and Eileen Dill's evocative designs contravene the play's lopsided reputation and place the central tussle between the star and her gigolo (Michael Beck) against a detailed canvas of small town Southern vengeance by the sea. (930 9532).

Notes Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blake-son's brilliant direction of backstage shenanigans on tour with a third-rate force is a key factor. (838 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's roller-skating folly has 10 minutes of Spelling movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all there. Festive score nods towards rock, country and hot gospel. His money is known to have asked for his money back. (834 8164).

The Government Inspector (Olivier): Striking but unfunny revival with under-equipped TV comic Bill Mayall playing the pouter as a shuffling nose-picker. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Guter's imposing design of bureaucratic bunnies, the show has a sort of monumental splendour as well as nightmarish tedium. New translation by Adrian Mitchell. (228 2252).

Queen of Poppo (Prince of Wales): The 1983 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Master of Clarke Peters. Richard Eyre's production and John Guter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows. (930 8881).

July 26-August 1

MUSIC/MONDAY, OPERA AND BALLET/TUESDAY, THEATRE/WEDNESDAY, EXHIBITIONS/THURSDAY, A SELECTIVE GUIDE TO ALL THE ARTS APPEARS EACH FRIDAY.

Hilliard Ensemble/St Luke's

David Murray

Of various venues beyond the Albert Hall that the BBC has explored for Prom purposes, none has proved a luckier find than St Luke's in Sydney Street, where medieval and Renaissance music for smallish forces sounds wonderful. On Monday it was the turn of the Hilliard Ensemble to deliver a set of sixteenth-century works by Perotin and Guillaume de Machaut.

Falling time-travel with a tape recorder, we are never going to know just how the choristers of the period sang. In tune, we assume; but with what sort of vocal manners? Did they aim at a homogeneous blend, or were individual voices expected to stand out? Did they cultivate a robust, virile sound, or was something more devoutly "white" the norm? Were they emphatic with rhythms, as in dance music, or did ecclesiastical style prescribe a lower profile? Contemporary comment gives too little help, for about such matters the terms of any judgment are relative to familiar contemporary practice.

Modern "early music" performers have to exercise their own intuitions on fragmentary clues; from time to time, a cer-

tain style captures one's imagination as being peculiarly convincing. The Hilliard style captures everybody's, these days, not because of some notional archaeological insight, but because it sounds balanced and exquisite now — and because it lets us hear everything we can see in the scores. (At another time, we might see other things). In scores so rich as Perotin's four-part *Gradual Viderunt Omnes* and Machaut's *Messe de Notre Dame*, the Hilliard treatment has the force of a revelation.

If medieval sacred music ever dances, then surely *Viderunt Omnes* must. Over the long-held single notes of a slowed-down chant, the higher voices describe, once-in-a-way, play catch-up — "white" the norm? Were they emphatic with rhythms, as in dance music, or did ecclesiastical style prescribe a lower profile? Contemporary comment gives too little help, for about such matters the terms of any judgment are relative to familiar contemporary practice.

Modern "early music" performers have to exercise their own intuitions on fragmentary clues; from time to time, a cer-

Along the M4, for your incentives

The highest level of Government incentives on the UK mainland are available here in the County of Mid Glamorgan. Cash grants, cheap loans, rent free periods in modern advance factories, training and relocation assistance, are some of the incentives available. For further details and free copies of our new Business Location and Financial Incentives Guides, return this coupon to the Industrial Development Unit, Mid Glamorgan County Council, Greyfriars Road, Cardiff CF1 3LG or phone 0222 820708, and ask about the closest "Development Area" to London, on the M4.

Name _____ Position _____

Company _____

Address _____

Telephone _____

Type of business _____

Mid Glamorgan

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4A 3BY
Telegrams: Finantime, London PS4. Telex: 8954871
Telephone: 01-248 8000

Wednesday July 31 1985

A fighter for Europe

THE MOST spectacular proposal for European industrial co-operation, the five-nation European Fighter Aircraft, is in imminent danger of collapse. Its demise would be a disappointment but, to judge from the character of the lengthy wrangling that has already taken place, not a disaster.

The fact that over two years the five countries have failed to agree on what type of aircraft they want to build has been a poor omen for fruitful collaboration. It promises unsatisfactory military compromises, additional complexity and additional cost. Add to this the danger that the management of the project, and in particular the award of contracts and sub-contracts, will be determined by the need to satisfy national interest groups, rather than commercial considerations and the case for an ambitious joint venture may all but evaporate.

It is still just possible that these pitfalls can be avoided and agreement on a five-country EFA reached. Certainly a number of factors are in its favour. The UK, Italy and Spain would give an enormous fillip to the cause of industrial collaboration in Europe. The goal of a production run of a united approach to export markets remains a compelling one.

Rhetoric

In particular, the inclusion of Dassault of France, the leading European builder of fighter aircraft and a company with an outstanding export record, would be a tangible sign of France's willingness to translate its rhetoric about industrial collaboration into practice. But it appears that the differences between France and the other partners over the military role of the new aircraft, over design leadership and over the need for a common fighter, are too great to allow these undoubted benefits to emerge.

Simply put, the British-led faction wants an aircraft that will be able to strike at enemy units and positions on the ground and in a variant, will protect the ground attack aircraft against enemy fighters. The French say that their Mirage 2000 and 4000 can play the latter role, so they only want a lighter and less powerful

fully engaged ground strike aircraft.

Much of this may be the usual tag of war for project leadership and share in the work to come. But the fact is that the differences have not been bridged. It would be an error to try to do so at the cost of producing an aircraft that satisfies neither the French nor the other air forces.

Rather than running that risk it is better to go ahead with separate ventures—the French and that of the rest. But the criteria by which a five-nation project needs to be judged apply equally to one involving only the British, Germans, Italians and Spanish. A four-nation (or three-nation) EFA would still have to be as cost effective as possible. To achieve that, management of the project will have to be extremely tight and commercially aware. There must be maximum use of competition in the award of sub-contracts.

It is in the nature of collaborative ventures that they bring economies of scale. But also extra cost because of decentralised production. It has been estimated that a joint project may cost 10 per cent less than a British national project going it alone—but that buying an American aircraft would be almost 30 per cent cheaper.

On purely commercial grounds, therefore, there is a case for abandoning EFA altogether and either buying a US aircraft or building one under licence. It is an option that is open to every one of the four air forces either jointly or singly.

But the premium for a European aircraft is worth paying, provided it is kept within limits by sound management. The U.S. industry is not so far ahead of Europe in this field. It will expect them to catch up to be hopeful. A four-nation effort may be less desirable than one of five participants, including France. If that is not feasible, it still remains important to pursue a drive towards standardisation leading to a single European aircraft, comparable to that in the U.S. Even if the plan for a common fighter collapses, that overall objective should be pursued with more scrupulous if less spectacular ventures.

Moscow's new plays abroad

SOVIET foreign policy, under new management, is shifting from the reactive to the active. We have grown so used over the past several years to the Eastern superpower pursuing a passive diplomacy, to its distinct military policy, that it will take some adjusting to the new activism emanating from Moscow. But the change presents new opportunities, as well as new problems.

We should learn more about the new direction of Soviet diplomacy from Mr. Eduard Shevardnadze, the new Soviet Foreign Minister, who after the tenth anniversary ceremony of the Helsinki accords, is due today to hold his first bilateral meetings with Mr. George Shultz, Sir Geoffrey Howe, and other western ministers.

But there is already ample evidence of Moscow taking the initiative on the international chessboard. Following Mikhail Gorbachev's recent proposal for a mutual cut of 25 per cent or more in the number of warheads on Soviet and U.S. offensive nuclear missiles, this week Moscow proposed a moratorium on nuclear weapon testing, cannily timed to coincide with the anniversaries of both the Helsinki accords and the Hiroshima bombing. That pushed Washington into speedily coupling its rebuff of a test moratorium with an unprecedented invitation for Soviet observers to monitor an underground test in Nevada.

Tactics
It is true that the Soviet Union under Mr. Gorbachev has, if anything, hardened its resistance to the Reagan administration's Star Wars programme. Indeed, it seems to be the Soviet strategy to demonstrate some flexibility on other disarmament issues, precisely to reinforce the political impact of its opposition to Star Wars.

In fact, initiatives towards the U.S. are not a totally novel phase in recent Soviet foreign policy: there was a short spate of them when Mr. Andropov first came to power. What is novel is Moscow's initiatives elsewhere. Under Mr. Gorbachev, the Soviet Union is actively wooing Western Europe as a whole, reviving an old tactic of proposing trade talks between Moscow and the EC but putting on it the new gloss of recognising the EC's "political identity." It has signed a five-year trade accord with that old ideological sparring partner, China. It

has even put out feelers about restoring diplomatic ties with Israel; though this came to nought, because of press leaks from Jerusalem, it showed the Soviet Union keen to join, or displace, the U.S. in the umpire's seat in Middle East politics.

Nearer home, Moscow has put the East Europeans on notice that the recent years of slack Soviet leadership of the eastern alliance are over. Henceforth, Moscow will hold regular allied summits, consult or inform them more, but at the same time it will expect them to toe the diplomatic line more than countries like Hungary and East Germany have recently done, and it will run a tighter ship in both Coecon and the Warsaw Pact, which, if rumours are to be believed, is to have the formidable Marshal Gorbachev as its commander-in-chief.

Since the overall aim of this strategy seems to be to separate America from its allies and friends, and also to deny the West chances of exploiting any differences inside the Soviet bloc, a certain amount of trust in the West is justified. This mistrust will, for understandable reasons, be deepest in Washington. But from a European perspective, there is a qualified cause for optimism.

It cannot, for one thing, be a bad thing for the Reagan Administration to be put to its mettle in disarmament talks by Mr. Gorbachev. For too long nuclear arms control has suffered from immobilism, not initiative, from Moscow. The EEC may, rightly, have qualms about reaching a trade agreement with such a different economic body as Coecon, but can hardly shun the political recognition it has long sought from Moscow. The Sino-Soviet split may have suited the West in the past, but Western policy can hardly base itself on a state of permanent hostility between Peking and Moscow. Finally, there is a case for arguing that peace will not come to the Middle East until Moscow and its Arab clients have been brought into the process.

If the West has a clear-eyed appreciation of Moscow's motives, it should be able to summon up the requisite vigilance in responding to the new Soviet initiatives. Western Europe should not allow any wedge to be driven between itself and the U.S.

City of London salaries

HER parents must think the world has gone mad," mused the headhunter. He was considering the case of the 21-year-old woman bond dealer who had moved from the UK arm of a U.S. investment bank to the London operation of a rival U.S. financial group. "She was a junior member of a team, earning £22,000 a year," he explained. "Now she is earning £50,000."

The size of the pay packets in Britain's financial community is already the stuff of legend. Following the rapid expansion of capital markets worldwide in the last few years and the aggressive entry into the securities markets recently of a whole range of new players such as banks and other commercial concerns, the value of individuals with the appropriate skills has dramatically increased.

As headhunters put it, the bond dealer and many others like her are benefiting from what they call a "classic demand situation" where demand outstrips supply.

Barely a week goes without another big staff move by stockbrokers, stockjobbers and dealers from one securities firm to another. Those involved in the moves are usually concerned with the financial rewards which they are picking up, but in the secret world of the City, figures are now emerging about some of the deals being struck.

One brokerage house recently was offering £200,000 a year to a 25-32 year old who could speak French and German and had three years in the securities business selling fixed interest bonds. Six-figure salaries for talented people are now becoming commonplace, while a successful equity salesman who is not even a partner in a British firm can command as much as £170,000 in some cases.

But while individuals in the City of London are enjoying their biggest financial bonanza of their careers, the industry as a whole is still in big trouble for financial conglomerates in the future. Securities houses on both sides of the Atlantic are already reaching for their lawyers to deal with staff matters as the strains and tensions begin to tell.

Barclays Bank has been considering what legal steps it could take following the recent defection of eight people from Wedd Durlacher Mordant, the jobber with which it has formed a link. The terms of the Barclays deal valued Wedd at nearly £100m—but so far it has had to stand by helplessly as its assets have begun to walk out of the door. (It is little comfort that the price paid will be adjusted accordingly.)

All this excitement results from the biggest upheaval ever in London's financial community which has taken place in the last two years. The changes have been triggered by the deal between the Stock Exchange and the UK Government, in which the Exchange agreed to abandon its fixed scales of commission on securities transactions by the end of next year.

The threat of a more competitive environment inspired a series of mergers and regroupings between the brokers and market makers. The changes have led to a new financial community which has been accompanied by change and turmoil among the personnel.

City of London salaries

HER parents must think the world has gone mad," mused the headhunter. He was considering the case of the 21-year-old woman bond dealer who had moved from the UK arm of a U.S. investment bank to the London operation of a rival U.S. financial group. "She was a junior member of a team, earning £22,000 a year," he explained. "Now she is earning £50,000."

The size of the pay packets in Britain's financial community is already the stuff of legend. Following the rapid expansion of capital markets worldwide in the last few years and the aggressive entry into the securities markets recently of a whole range of new players such as banks and other commercial concerns, the value of individuals with the appropriate skills has dramatically increased.

As headhunters put it, the bond dealer and many others like her are benefiting from what they call a "classic demand situation" where demand outstrips supply.

Barely a week goes without another big staff move by stockbrokers, stockjobbers and dealers from one securities firm to another. Those involved in the moves are usually concerned with the financial rewards which they are picking up, but in the secret world of the City, figures are now emerging about some of the deals being struck.

One brokerage house recently was offering £200,000 a year to a 25-32 year old who could speak French and German and had three years in the securities business selling fixed interest bonds. Six-figure salaries for talented people are now becoming commonplace, while a successful equity salesman who is not even a partner in a British firm can command as much as £170,000 in some cases.

But while individuals in the City of London are enjoying their biggest financial bonanza of their careers, the industry as a whole is still in big trouble for financial conglomerates in the future. Securities houses on both sides of the Atlantic are already reaching for their lawyers to deal with staff matters as the strains and tensions begin to tell.

Barclays Bank has been considering what legal steps it could take following the recent defection of eight people from Wedd Durlacher Mordant, the jobber with which it has formed a link. The terms of the Barclays deal valued Wedd at nearly £100m—but so far it has had to stand by helplessly as its assets have begun to walk out of the door. (It is little comfort that the price paid will be adjusted accordingly.)

All this excitement results from the biggest upheaval ever in London's financial community which has taken place in the last two years. The changes have been triggered by the deal between the Stock Exchange and the UK Government, in which the Exchange agreed to abandon its fixed scales of commission on securities transactions by the end of next year.

The threat of a more competitive environment inspired a series of mergers and regroupings between the brokers and market makers. The changes have led to a new financial community which has been accompanied by change and turmoil among the personnel.

From Michael Scolar, and now once again he is following in Scolar's footsteps. For it is Scolar who is moving from the public spending hot seat to become a senior partner in the Transport Department as a new broom. But in public spending terms, he is crossing over to the enemy side.

When Transport and Treasury next exchange fire on programme limits, the guns should be well-manned on both sides. For Butler—I almost forgot to mention—is an old hand at public expenditure control. He did Scolar's job for a while before he went to No. 10, Small world, isn't it?

Butler's transfer will make room in Downing Street for Nigel Wicks, who recently moved to the Treasury's main office in Whitehall. This will be the second time that Wicks has followed Butler into a Treasury posting in the Prime Minister's office.

It happened before under the Labour Government in 1976 when Wicks succeeded Butler as an assistant private secretary at No. 10.

The present holder of this post, Andrew Turnbull, is being promoted back to the Treasury as under secretary in charge of public spending, so the Turnbull-Butler team will stay intact.

Turnbull took over his present job in Downing Street

of the securities houses. As together and the big financial conglomerates have been formed, "there has been a rather crude allocation of the securities."

Partners of stockbroking and stockjobbing firms have made millions of pounds from selling out their businesses to outside interests but the staff at lower levels feel that they have not gained sufficiently in personal financial terms from the deals.

In all between £600m and £800m is estimated to have been paid for securities businesses in London in the last two years.

People, Mr. Gibbs argues, are on the move because they are unhappy about the pace of decision-making in the large financial conglomerates which are being formed. "People do not like voids," he said. "There was not a realistic assessment of the amount of work involved in some of these deals."

Mr. Allan Stewart of Spencer Stuart, another executive search company, said that after any merger there is "a period when people are prepared to accept change. The later the changes are made the harder it becomes for people to accept them and a lot of firms did not act quickly enough."

Moreover, serious cultural tensions have been created as the rigid hierarchies of the clearing banks have come into contact with a dealing environment through their links with brokers and jobbers.

In the past, senior partners of the top ten British securities firms were earning up to £1m a

SOME RECENT MOVES ON THE CHESS-BOARD

HERE ARE some of the most notable moves of recent months.

- Eight dealers from Wedd Durlacher Mordant, the market maker in the Stock Exchange and a range of outside interests, such as banks, financial conglomerates, and overseas financial interests.
- Mr. John Hutchinson, a senior gilt-edged dealer at Wedd Durlacher, left after a year to join the City of London.
- Barclays Bank recently poached Sir Martin Jacob, vice-chairman of Kleinwort Benson, to head up its investment banking side, which will include Wedd Durlacher.
- Capel-Cure Myers, the stockbroking firm, earlier this year lost the bulk of its staff to the City of London.
- Kleinwort Benson, the merchant bank, is paying £44m for broker Grosvenor Grant, whose partnership is 65-strong. Broker Laing and Crutchbank's 53 partners are receiving £25m for their share in the firm.
- These are not thought to be the most lucrative deals.
- In order to keep staff together those groups taking over securities firms have devised a

system of remuneration called "golden handcuffs." They are paying partners on a deferred basis, which is some times performance related, so that they have an incentive to stay with the business. In some cases companies taking over securities firms are leaving a minority stake in the profit for executives to provide a continuing incentive.

For the so-called "marzipan set"—the bright middle ranks described as being "just below the king and just above the cake"—a range of incentive remuneration schemes are being designed to keep them on board. Some partnerships have voluntarily agreed to re-allocate the spoils from the disposal of their firms.

In many cases they are being offered "packages" consisting of a guaranteed cash sum payable over a fixed period of time, say three years, providing they stay. A three-year package worth £450,000 in combined basic salary looks cosmetically more attractive than if expressed as an annual salary and offers a measure of financial security. They may also be offered share option arrangements, generous pension schemes, a car and loan arrangements for house purchase.

Those seeking to lure teams of brokers and dealers away, meanwhile, have designed the "Golden Hello" arrangement. A cash sum is usually put up front for those walking through the door, and the amount is

often of a size that a first class English footballer might envy. The head of a research team might receive a capital sum of between £50,000 to £100,000 just to join. From then on the basic salary of the new staff will often be guaranteed over a period. In addition a bonus element might be guaranteed over the same period and all the fringe benefits paid that are enjoyed elsewhere.

Some City consultants see the seeds of future discord in these deals. Says Mr. Carl West-Meads of the Wyatt company, the employee benefit and compensation consultants, "the people who are moving are putting themselves under enormous pressure. They are entering a hostile environment where existing staff are speculating about the size of the newcomers' remuneration and are just waiting for a chance to put the boot in."

Adds Mr. Alan Stewart of Spencer Stuart, "emerging financial conglomerates will soon be in considerable trouble." He says that financial pressures are building up as staff costs rise and bonuses and profit share payments are incorporated into salaries.

Rising occupancy and operating costs following moves into larger and modern buildings and large investments in information technology and trading rooms is also adding to the pressure throughout the securities industry.

Increasing competition once minimum commission scales are dismantled will put pressure on revenues, particularly if trading conditions in securities markets turn down.

For the moment all the indications are that the movement of personnel will not slow down between firms. Talented brokers and market makers will find securities houses ready to recruit them and offer large salaries. But few in the City believe that the bonanza can last. That is why so many are concentrating on getting the best possible short-term financial package—after all, their new careers may turn out to be short-lived.

Men and Matters

from Michael Scolar, and now once again he is following in Scolar's footsteps. For it is Scolar who is moving from the public spending hot seat to become a senior partner in the Transport Department as a new broom. But in public spending terms, he is crossing over to the enemy side.

When Transport and Treasury next exchange fire on programme limits, the guns should be well-manned on both sides. For Butler—I almost forgot to mention—is an old hand at public expenditure control. He did Scolar's job for a while before he went to No. 10, Small world, isn't it?

Butler's transfer will make room in Downing Street for Nigel Wicks, who recently moved to the Treasury's main office in Whitehall. This will be the second time that Wicks has followed Butler into a Treasury posting in the Prime Minister's office.

It happened before under the Labour Government in 1976 when Wicks succeeded Butler as an assistant private secretary at No. 10.

The present holder of this post, Andrew Turnbull, is being promoted back to the Treasury as under secretary in charge of public spending, so the Turnbull-Butler team will stay intact.

Turnbull took over his present job in Downing Street

of the securities houses. As together and the big financial conglomerates have been formed, "there has been a rather crude allocation of the securities."

Partners of stockbroking and stockjobbing firms have made millions of pounds from selling out their businesses to outside interests but the staff at lower levels feel that they have not gained sufficiently in personal financial terms from the deals.

In all between £600m and £800m is estimated to have been paid for securities businesses in London in the last two years.

People, Mr. Gibbs argues, are on the move because they are unhappy about the pace of decision-making in the large financial conglomerates which are being formed. "People do not like voids," he said. "There was not a realistic assessment of the amount of work involved in some of these deals."

Mr. Allan Stewart of Spencer Stuart, another executive search company, said that after any merger there is "a period when people are prepared to accept change. The later the changes are made the harder it becomes for people to accept them and a lot of firms did not act quickly enough."

Moreover, serious cultural tensions have been created as the rigid hierarchies of the clearing banks have come into contact with a dealing environment through their links with brokers and jobbers.

In the past, senior partners of the top ten British securities firms were earning up to £1m a



Brano Radovic

He really was

A World War Two ship inspector named Kilroy became the world's peace-setting graffiti artist by scrawling "Kilroy was here" on ship's hulls in the General Dynamics shipyard.

Kilroy launched more than 100 ships. He set in motion a graffiti craze which has since swept the world and has found perhaps its most expert exponent in the US on the New York subway.

Now General Dynamics, under fire from the Pentagon and Congress for alleged overcharging and other misdemeanours, has run out of orders for new ships and is closing the 100-year-old Quincy yard.

More than 4,000 workers will lose their jobs. But Kilroy's legacy seems sure to live on.

Japanese Government officials worked feverishly to round up a few Japanese-speaking American journalists to appear at Prime Minister Nakasone's televised Press conference yesterday.

But it turned out that reporters' questions were being vetted and nothing too controversial was going to be allowed. Los Angeles Times reporter Sam Johnson refused to attend after the issue he wanted to raise was ruled out.

Jameson wanted to ask why the quotas on konyaku, a root vegetable grown in various parts of Asia, were not being lifted in the import promotion package.

Japan's konyaku, it appears, is grown almost exclusively in Nakasone's home district of Gumma.

Testing times

Sign in a Croydon maternity ward: "The first five minutes of life are the most dangerous." To which someone has added a rider: "The last five minutes are pretty dicey too."

Observer

BASE LENDING RATES

A.B.N. Bank	11 1/2 %	Heritable & Gen. Trust	11 1/2 %
Allied Dunbar & Co.	11 1/2 %	Hill Samuel	11 1/2 %
Allied Irish Bank	11 1/2 %	C. Hoare & Co.	11 1/2 %
American Express Bk.	11 1/2 %	Hongkong & Shanghai	11 1/2 %
Henry Ansbacher	11 1/2 %	Johnson Matthey Bkrs.	12 1/2 %
Amro Bank	11 1/2 %	Knowles & Co. Ltd.	12 %
Associates Cap. Corp.	13 %	Lloyds Bank	11 1/2 %
Banco de Bilbao	11 1/2 %	Edward Manson & Co.	13 %
Bank Hapoalim	11 1/2 %	Meghraj & Sons Ltd.	11 1/2 %
BCCI	12 %	Midland Bank	11 1/2 %
Bank of Ireland	12 %	Morgan Grenfell	11 1/2 %
Bank of Cyprus	11 1/2 %	Mount-Credit Corp. Ltd.	11 1/2 %
Bank of India	12 %	National Bk. of Kuwait	11 1/2 %
Bank of Scotland	11 1/2 %	National Girobank	11 1/2 %
Banque Belge Ltd.	11 1/2 %	National Westminster	11 1/2 %
Barclays Bank	11 1/2 %	Northern Bank Ltd.	11 1/2 %
Beneficial Trust Ltd.	13 1/2 %	Norwich Gen. Trust	11 1/2 %
Brit. Bank of Mid. East	11 1/2 %	Peoples Trust	12 1/2 %
Brown Shipley	11 1/2 %	PK Finance Int'l. (UK)	13 %
CL Bank Nederland	11 1/2 %	Provincial Trust Ltd.	13 %
Canada Permanent	11 1/2 %	R. Raphael & Sons	11 1/2 %
Cayzer Ltd.	11 1/2 %	Roxburgh Guarantees	12 %
Cedar Holdings	13 %	Royal Bank of Scotland	11 1/2 %
Charterhouse Japhet	11 1/2 %	Royal Trust Co. Canada	11 1/2 %
Choularton	**	J. Henry Schroder Wagg	11 1/2 %
Citibank NA	11 1/2 %	Standard Chartered	11 1/2 %
Citibank Savings	11 1/2 %	TCE	11 1/2 %
City Merchants Bank	12 %	Trustee Savings Bank	11 1/2 %
Clydesdale Bank	11 1/2 %	United Bank of Kuwait	11 1/2 %
C. E. Coates & Co. Ltd.	12 1/2 %	United Mirrabai Bank	11 1/2 %
Comm. Bk. N. East	11 1/2 %	Westpac Banking Corp.	11 1/2 %
Consolidated Credits	12 1/2 %	Whiteaway Laidlaw	12 %
Co-operative Bank	11 1/2 %	Williams & Glyn's	11 1/2 %
The Cyprus Popular Bk.	12 %	Yorkshire Bank	11 1/2 %
Duncan Lawrie	11 1/2 %	Members of the Accepting Houses Committee	
E. T. Trust	13 %	7-day deposits 8.00%, 1 month 8.50%, 3 months 9.00%, 6 months 9.50%, 12 months 10.00%	
Exeter Trust Ltd.	12 %	21-days deposits over £1,000 8.25%	
First Nat. Fin. Corp.	13 1/2 %	21-days deposits over £1,000 8.25%	
First Nat. Secs. Ltd.	13 1/2 %	21-days deposits over £1,000 8.25%	
Robert Fleming & Co.	11 1/2 %	21-days deposits over £1,000 8.25%	
Robert Fraser & Ptns.	13 %	21-days deposits over £1,000 8.25%	
Grindlays Bank	11 1/2 %	21-days deposits over £1,000 8.25%	
Guinness Mahon	11 1/2 %	21-days deposits over £1,000 8.25%	
Hambros Bank	11 1/2 %	21-days deposits over £1,000 8.25%	

سكوت الاصل

AMERICA'S SDI PROGRAMME

The A to Z of Star Wars

By David Fishlock, Science Editor

THE Strategic Defence Initiative, Star Wars, is a U.S. technological objective as ambitious as the Apollo Moon landings of the 1960s. It promises to amplify American strengths in many technologies, especially information technology.

Here is a simplified guide to the intricacies of the \$26bn programme:

A is for artificial intelligence, sometimes called the fifth-generation computer, the most ambitious goal of the electronic age. The idea is to teach the computer to do that which, at present, more humans can do better—in this case, to manage a battle. This battle would be fought with beams at the speed of light.

B is for battle management, unquestionably the most formidable technical challenge a beam weapon defence must overcome if the SDI is to proceed.

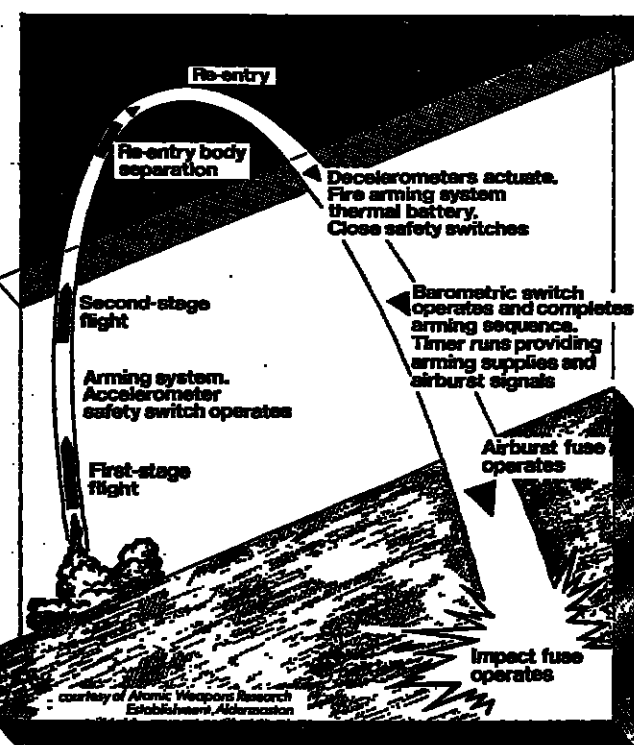
Once the button is pressed, the entire process of identifying target missiles at long range, zapping them with a beam within a fraction of a second of sighting, then verifying a kill or refocusing for a shot, must be done entirely without human intervention—by artificial intelligence.

C is for Nicholas Christofilos, the late American engineer who is credited with the idea of beam weapons dating from the late-1940s. Christofilos was an ingenious inventor of accelerators (atom-smashers) which generate speed-of-light beams.

D is for death ray, dream of inventors since the first flying machines, and the purpose of what the Air Ministry scientists of the 1930s dubbed their "black boxes." The military target for death ray is directed-energy weapon.

E is for the electromagnetic spectrum, the "rainbow" of rays the SDI is exploring as directed-energy weapons. The inventor can choose from a continuous spectrum—from the relatively low radio wavebands through microwave, infrared and the various colours (wavebands) of visible light, narrowing to the ultra-violet and X-ray bands.

F is for focusing, something the sceptics said would be impossible for beam weapons. The SDI enthusiasts have covered the "rubber mirror" in a Californian university. Astro-



SDI aims to knock out a nuclear missile in the first stage of flight.

nomers had the idea of using many small, perfect mirrors under the control of a computer which continuously adjusts each one individually to present one big, perfect reflector.

G is for ground, a reminder that much of the technology of the SDI may be buried in silos or submerged in the ocean, not suspended in space. In his speech of March 23 1983, which launched the "Star Wars" debate, President Reagan made no reference to space.

H is for the high ground, traditional military objective; none stands higher than space. The Soviets won it with the Sputniks, placed in Earth orbit in 1957, but the Americans reached the Moon in 1969. Space has been an integral part of defence strategy for the past quarter-century.

I is for information technology, the all-encompassing term for advanced electronics and opto-electronics. The SDI is information technology writ very large. It is an attempt by Americans to widen what they see as an area of technical advantage over the Soviets, and

(some say) thereby make Moscow more willing to discuss nuclear arms control.

J is for jungle, the unit of energy in which potential beam weapons are rated. The most powerful chemical lasers so far have an output energy of the order of 10 kilojoules. But the way appears open to engineer far more powerful lasers, including the X-ray laser, theoretically having 100-1,000 times the energy.

K is for Lord Kelvin (1824-1907), one of the most renowned British scientists, who nevertheless is on record as believing that radio had no future; that heavier-than-air flying machines were impossible; and that X-rays would prove to be a hoax.

L is for laser, the amplifier of light rays, invented by Theodore Maiman, a U.S. defence scientist, in 1960. It has taken a quarter-century of tremendous engineering effort to raise power levels from the milliwatt outputs of early lasers to the thunderbolts lasers can hurl today.

M is for MAD, mutually

assured destruction, Churchill's "sturdy child of terror" which has been the rationale of nuclear defence for the last 30 years. MAD was born of a weapon, the A-bomb, one million times as effective as high explosive; followed by the H-bomb, 1,000,000 times as effective as the A-bomb.

It is said that beam weapons will prove one million times as effective as the H-bomb, another step change in technology necessitating a new rationale—the SDI.

N is for negotiation, overgrowing nuclear weapon stockpiles, the size of which has become politically unpopular for President Reagan. Although older nukes are being dismantled, the newer missiles pack more nukes within a single nose cone—a trend which shows no sign of abating under the SDI.

O is for opto-electronics, the confluence of two technologies forming the basis of information technology. Sensors which can see specks of heat several thousand miles distant, computers which manipulate photons (light particles) rather than electrons, and satellites which steer beams to the target are examples of opto-electronics the SDI will use.

P is for pulsed power, the technology of unleashing immense amounts of energy very swiftly, which lies at the heart of all beam weapons. Although Britain has no formal role yet in the SDI, American defence scientists freely acknowledge Aldermaston's contribution over many years to the technology of pulsed power.

Q is for those who question the case for SDI. They can be seen as a spectrum that reaches from those implacably opposed to nuclear weapons (who reject SDI because of the key role of the U.S. nuclear weapon laboratories in its conception), through political opponents of President Reagan, to scientists who see insurmountable problems for specific portions of the technology, and many more who dread any disturbance of MAD.

R is for President Ronald Reagan's speech of March 23 1983, rekindling an anti-ballistic missile (ABM) debate which waxed in the 1960s but waned with the signing of the ABM Treaty of 1972.

S is for Stealth, the concept of hiding things from the increasing penetrating gaze of the enemy's sensors. For example, by designing an air-

craft or satellite to reflect a weak radar echo.

T is for Edward Teller, 77, Hungarian-born hawk of U.S. techno-politics, who converted from sceptic to an articulate advocate of the SDI and has been advising both President Reagan and the programme itself. Teller promotes the idea of large-scale demonstrations of critical aspects of technology to help convince sceptics how far they have advanced.

U is for universities, whose ideas for truly imaginative leaps that might improve certain technologies 1,000-fold in the next few years are being sought by the Strategic Defence Initiative Organisation in Washington DC. The SDIO has money—\$1.4bn this year, and plans for spending \$26bn in the first five years (although Congress is proving hard to persuade).

V is for vaporize, the most obvious effect of a powerful beam striking its target. The effect of a beam piercing a fuel tank of an ICBM could be devastating. But less-publicised effects of high-energy beams have been noted, such as violent explosions deep within a target when an electron beam strikes strikes at or near the speed of light, 100,000 times faster than its target missile, where the weapons of primitive systems were missiles of much the same speed. Radars 100 times as powerful as any in the early 1960s, and computers which have tripled in power every three years, have also helped change perceptions of ABM defence.

X is for X-ray laser, shortest in wavelength and therefore most penetrating of the beams contemplated for the SDI. But the only way known to pump enough power into a laser to get "hard" X-rays—the shortest—is with a nuclear explosion.

Y is for Gerald Young, chief scientist of the SDI, an international authority in thermodynamic fusion from the Sandia National Laboratories in New Mexico. Sandia is the engineering laboratory for nuclear weapons designed by Los Alamos and Lawrence Livermore. These three laboratories are the mainstays of the SDI.

Z is for zenith, the high point of the ICBM's trajectory, when its warheads and decoys fan out and vastly magnify the SDI's problems. The beams have just 340 seconds to find their targets before this happens.

Europe's Eureka programme

Neighbours must unite on new technology

By Hubert Curien



Hubert Curien

LEADING THE way into the 21st century, Europe, with the rich endowment of her traditions, her past, her culture, has just pledged her determination to reclaim her rightful position in world development.

Faced with the considerable efforts initiated in the U.S. and Japan, Europe has chosen, without further ado, to close ranks and brace herself to become a front-ranking power in high technology.

The Eureka of technology means tomorrow's industry, tomorrow's jobs, tomorrow's competitiveness for Europe.

A research potential of the first order, with the manpower, the ideas, the projects and the hardware to match, provides us with the means to achieve this ambition.

Today, Europe is embarking resolutely on the path of progress. Over a number of years already, the movement which will turn Europe into a high-technology continent has been taking shape. The EEC Commission has put together a set of programmes which are already playing a very positive role.

Already, networks of European researchers or laboratories are being set up, while joint European efforts are being forged. Looking for a partner among one's neighbours is becoming as natural as looking for one across the Atlantic or in the Pacific, if not more so.

Eureka, the European technology co-operation programme, belongs to this movement. It completes and amplifies what is already there. It aims at attaining the capacity to build technological hardware involving a research effort which draws appreciably on the technological base already achieved.

Europe has already successfully developed such programmes. In the field of outer space, for instance, within the framework of the European Space Agency, there is a continuing scientific and technological effort coupled with the building of hardware, satellites or launchers, catering to current market needs.

Europe, albeit a less broadly-based Europe, has also demonstrated its capacity to develop the Airbus aircraft and make the venture not only a technical but also a commercial success. These two examples are a

good illustration of the Eureka approach. The objective is indeed to develop projects which must of necessity have an outlet meeting the needs of world or European markets, whether these needs be commercial or a matter of social or strategic necessity. Capitalising on the European dimension, these projects must involve genuine co-operation between the major industrial companies of several European countries while, at the same time, leaving the door open for smaller companies and research centres.

Eureka's specificity is that it is a set of such projects in the fields of high technology (communications, production, life sciences) each having its own organisational set-up—usually akin to that of an industrial project—bringing together genuinely interested countries or companies.

Such projects, conducted in a variable geometry framework will be encouraged in several ways: they must be given clear priority within national research and development policies; they must enjoy preferential funding within the framework of the European Community; and they must also have the benefit of a European market.

Such encouragement is by no means a substitute for the determination of industry itself.

Europe must devise a new state of mind which will incite her industrialists to talk to each other and then join forces on a given project, with the support of the powers that be and the Community institutions, so that she asserts herself as a major world partner.

During the run-up to the next Eureka rendezvous in a few months' time, every effort must be made to forge links between our industry and our research centres. On July 17, in Paris, before 34 Ministers, I appealed to European industry to propose new projects, to deepen its contacts, so that fresh agreements might take shape. This appeal must be backed by our joint political resolve to encourage new projects, to deepen its contacts, so that fresh agreements might take shape. This appeal must be backed by our joint political resolve to encourage new projects, to deepen its contacts, so that fresh agreements might take shape. This appeal must be backed by our joint political resolve to encourage new projects, to deepen its contacts, so that fresh agreements might take shape.

In this respect, the reaction of the various delegations has been encouraging since each expressed its determination to reserve itself. We must therefore press on resolutely in two directions:

● Technical: our proposals must be brought to maturity as soon as possible, the companies concerned must join forces, define precisely, for each project, the sum total of tasks required for its completion, identify problem areas, assess its cost, suggest ways of organising it.

● Political: each party, according to its own interests, will have to choose those projects it wants to participate in and hence choose the Eureka projects. Then the funding can be decided in concrete terms. We must also define together, with the help of the European Commission, general measures relating to market organisation.

In the work which lies ahead, it is our own future which is at stake since nothing will be achieved without European solidarity. In Paris on July 17, Europe as a whole affirmed her strength and accepted the technological challenge: building on her heritage of traditions, culture and intelligence, she is resolved to stake out her position in the forefront of progress, competently and generously. United we can succeed.

The author is France's Minister of Research and Technology.

Off-the-shelf aircraft

From the President, Society of British Aerospace Companies.

Sir,—In the wake of debate about the collaborative options for a European fighter aircraft (EFA), it has been suggested that the cheapest solution for UK would be to buy American aircraft off-the-shelf. This is a specious and facile argument.

Setting aside the unpredictable and capricious movements in the dollar/stirling exchange rate which have been playing havoc with the funding provisions for Trident I would have thought that a moment's thought would have yielded the following:

The UK aerospace industry is one of this nation's most successful wealth producers, exporting products last year to a value in excess of \$3.5bn. Much of the technology contributing to that success is derived from our involvement in military aircraft programmes.

The intellectual thrust for all aerospace programmes is provided by the design teams. Disposal of the design teams and the whole industry would wither. How do we measure the cost of that?

A major combat aircraft programme like the Tornado, which we build in Germany and Italy, generates direct employment in this country for over 50,000 skilled workers. If there is no follow-on programme to meet the defence needs of the Royal Air Force in the mid-1990s what fairy god-mother will provide redundancy payments and social security benefits or alternative employment?

The world export market for a fighter in the EFA class is estimated to be some \$50bn for the period 1995-2005, much of it within Nato. The multiplier effect from the provision of design support and training during the service life of the aircraft will at least double that value. The potential economic benefits to the UK from achieving even a small fraction of that market are enormous. Are we really prepared to abandon these benefits gratuitously to the Americans and French?

We all hope our Services will need to use their front line aircraft in operational combat, but if they do it is vital, as has been demonstrated in recent times, that they can rely on immediate and dedicated support from an aerospace industry which has a total system capability.

In short, those who argue that the cheapest option for Britain would be to purchase off-the-shelf aircraft off-the-shelf would be equally correct, and qualitatively preposterous, in arguing that the cheapest solution for France would be to buy British aircraft off-the-shelf. But I suspect that the French, no less

Letters to the Editor

than the British, believe that their future prosperity depends on maintaining their place among the world leaders in high technology for which their aerospace industry provides the cutting edge.

Clive Hunting, 25, King Street, St James's, SW1.

Dire effects of a penny

From Mr J. Shaw.

Sir,—I agree wholeheartedly with the sentiments expressed by Mr Leslie J. Tolley (July 26) in relation to "top people's" salaries. Do these greedy "careerists" (who frequently have little equity in their employing company) ever consider the basic needs of their lower paid employees, and for that matter, does anyone in government either?

We employ a number of young persons whose present annual remuneration is the maximum which can be paid within the 7 per cent rate for National Insurance Contributions. If we increase these young people's pay by even one penny per week, they are immediately faced with an additional 2 per cent charge to NI over the whole of their wages—they are thus "rewarded" with a £1.79 per week reduction in take-home pay. This is crazy.

J. Neil Shaw, John Reynolds and Co. (Insurance), 21, Quay Street, Manchester.

Mortgage interest tax relief

From Mr J. Jackson.

Sir,—It seems that, privately, all political parties would like to see tax relief on mortgage interest phased out—Conservatives because it distorts the free market economy (a view Mr Lawson has stated more than once), Labour because of the social implications, and the Alliance because much relief is both unfair and does not fit in with the philosophy behind its proposed restructuring of the tax system.

Yet publicly all parties recognise that to admit this would be political suicide. Recently Labour has denied it was even considering discussing the issue, while Mrs Thatcher hastily dismissed the abolition aspects of the housing enquiry chaired by the Duke of Edinburgh. In your editorial (July 26) you stressed the broad spectrum of opinion represented by mem-

bers of the committee of this enquiry, and this latter aspect suggests that their findings deserve wider debate.

Isn't it about time that we recognised that there are some issues (major changes to the state earnings related pension scheme and the welfare state are other examples) for which our party political system is unsuited because the only way forward without a frequent reversal of policies is by a consensus of opinion between all parties? In other words, cross-party consultation and decision-making on certain vital issues. The present political posturing on mortgage interest tax relief may score a few points off the opposition, but I doubt whether it is in the long-term national interest.

P. Jackson, 6 Branksome Way, New Malden, Surrey.

Drift from farming

From Mr O. Laband.

Sir,—The Hon Secretary of the Farm and Food Society (July 20) has highlighted some of the reasons why the privately funded international project which is to be launched in Africa will have to look at its projects very carefully.

With 30 years experience in agriculture and agro-industry most of it in Africa perhaps I may be permitted to add to these observations. The decline in agricultural production has been accelerated by the drift to the towns and the villages of the young and fit who are now educated and find life in towns more remunerative and stimulating. It leaves the elderly up country to grow the food. This drift must be contained, and if possible, reversed. Agriculture has to be made financially attractive as the up country infrastructure which must provide water, electricity, housing hospitals and all other forms of recreation which can be found in towns. Subsistence agriculture as practised in most areas does not generate an income which compares with that of a clerk in town. Holdings are too small, the land tenure system does not encourage the development of larger individual units. It is very difficult to buy land. Land is people's security. One does not sell land.

State owned small holding schemes with co-operative marketing and logistics support from a larger centrally based

estate have had an element of success. The state or a commercial enterprise acquired the land and let out the holdings. The centrally run estate provided the training for the smallholders, the machinery and the inputs. It sold the produce and processed the surpluses. The small holdings were large enough to produce an income which exceeded that of a clerk in town.

The creation of such units requires finance and an input of expertise and controls. Most Governments will agree to accept the finance, they must also be persuaded to accept the controls.

The primary object of any aid must be to make agriculture attractive to the young. Otherwise whatever the scheme, the object of increasing output will not be achieved.

O. E. K. Laband, Glenyrs, Earlsferry, Eile, Fife.

Industrial training

From Mr B. Lovesey.

Sir,—Sir Richard O'Brien (July 24), states that "There should be no need to recruit from outside if a company is training its staff properly." Where does a new company recruit its staff? How does a company with a 50 per cent per annum growth rate recruit staff if it needs five years from now?

Sir Richard's ideas are clearly based on non-adaptive large bureaucratic companies. We live in an age of fast change, never has there been a greater need for a highly trained and mobile labour force. In this situation large companies are reluctant to train for the genuine fear that they will not benefit from their investment and newer, smaller and rapidly expanding companies do not have the current resources to train for their future needs.

If we rely on the current very low levels of training skills in short supply will attract higher market wages, they will become even more mobile and this will further discourage the larger companies from training.

It is ironic that Sir Richard talks about the French-style national training tax, the French borrowed that idea from the 1964 Industrial Training Act. The Industrial Training Boards and the Manpower Services Commission effectively destroyed that arrangement when they invented levy exemption.

Our need for training greatly exceeds the current willingness and ability of industry to fund it.

As the youth training scheme has demonstrated it takes large scale government intervention to produce quickly the required volume of training.

Bob Lovesey, 6, Barncroft Road, Berkhamsted, Herts.

Creating new answers for industry.

Designing and producing a computer language to control the operation of industrial robots is just one example of how CAP applies advanced information technology to create new answers to complex problems.

And with a combined team power of over 1,400 highly trained people, plus CAP's 23 years' experience, we can provide new answers to your problems in a wide range of fields.

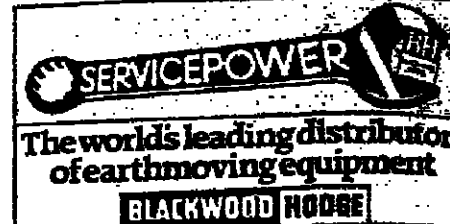
CAP Building B Information Line 01-8

A STRONG ARGUMENT FOR RELOCATION

The Newport Argument
Gareth Isaac has all the details on 0633 56906.

FINANCIAL TIMES

Wednesday July 31 1985



David Marsh in Paris assesses French options for a new combat aircraft

Dassault may go solo in Euro-fighter row

THE COMPLEX tussle over the European Fighter Aircraft, now at a crucial stage after more than two years of negotiations, looks likely to mark a watershed in the long and illustrious fortunes of France's Dassault-Breguet military aircraft-maker.

During the political and industrial horse-trading over the EFA among the five countries involved—France, Britain, West Germany, Italy and Spain—Dassault has been resolutely sticking to its guns.

The Dassault view, conveyed with as much diplomacy as possible by M Charles Hernu, the Defence Minister, and the other civil servants who have taken part in the negotiations, has been that France should have a dominant technical role in the EFA because of the company's 30 years of experience in making and selling Mirage jets.

Officials in Paris have been making clear in recent months that if the other four countries were not willing to accept that condition, France would go ahead alone in constructing a combat aircraft for the 1990s.

With chances for a last-minute compromise fading fast, and West Germany in particular pressing for a speedy decision, it is now looking increasingly likely that Dassault's bluff will be called.

Coinciding with a number of other important decisions affecting the future of the company—of which the state owns 46 per cent but of which M Marcel Dassault, its legendary 83-year-old founder, is still the

main shareholder—the next year or so for Dassault promises to be a testing time.

Dassault has been spending several hundred millions of francs of its own money developing a delta-winged prototype fighter, called the Rafale, due to make its first test flight next May or June. The Rafale, of 8.5 tonnes basic weight, is much closer to the French air force's own operating requirements for the 1990s than the heavier air-superiority fighter favoured by Britain and West Germany.

It will also be cheaper to build. Crucially, both Dassault and the French Defence Ministry believe a Rafale-type aircraft will be much easier to sell abroad to developing countries and smaller NATO members which have traditionally formed Dassault's export clientele.

Assuming agreement on specifications and work-sharing could be reached, Dassault and the French Government would prefer collaboration to share the cost of developing a new 1990s jet. Building from its own resources the 330 aircraft France says it needs for the next decade—including 90 naval aircraft—might cost FF 35bn (\$5bn) perhaps 10 per cent to 20 per cent more than the cost of a joint project.

As a fallback option to a five-nation EFA, the French Government has been discussing with Bonn in recent weeks the possibility of a Franco-German deal.

Growing hostility in the West German aerospace industry to Dassault's desire for leadership and

Efforts to prevent the collapse of plans to build the Eurofighter were being made in the five national capitals concerned last night without much optimism that they would succeed, writes Bridget Bloom in London. Added urgency has been given to the last-ditch attempts by a deadline imposed by Herr Manfred Wörner, the West German defence minister, who declared that Bonn wanted a decision by the end of this month.

pressure in Bonn for an extension to West Germany's well-established partnership with either British or U.S. aircraft builders is, however, clouding the chances of a bilateral Bonn-Paris accord.

If Dassault goes it alone—possibly in co-operation with Spain—in developing the Rafale prototype, it can count on the full support both of Saecma, the nationalised engine-maker, and the strong French equipment and electronics industry.

M Benno-Claude Vallières, the 75-year-old long-time associate of M Dassault, who has chaired the company since 1980, likes to point out that 90.5 per cent of Dassault's latest Mirage 2000 is made in France.

Fearing a loss of technological leadership to British or West German companies, the French avionics industry in particular has been voicing its fears about collaboration in recent weeks.

Even though a go-it-alone decision would certainly win almost

unanimous approval in French aerospace circles, it would raise a number of potentially serious question marks.

Dassault has become a byword for technical excellence in areas such as development of advanced composite materials and computer-aided design and manufacturing. The small team of dedicated Dassault-trained engineers who surround M Vallières—and who now make many of the important decisions—gives the company an esprit de corps that is probably unique in the aircraft world.

But even for a company still chalking up healthy profits—FF 431m last year on FF 15.7bn turnover, 68 per cent of which was exports—purely French military aircraft projects will be placing increasingly greater strain on finances.

Competition from U.S. combat aircraft makers such as McDonnell Douglas and General Dynamics, each of which have five to six times Dassault's turnover and are assured of much longer production runs, has become more muscular in recent years.

Dassault's clients in the Third World are facing financial difficulties. That is illustrated by the week-end news that Peru intends to scale down its order for 26 Mirage 2000s, as well as the need to resort to all barter deals to secure a recent contract from Abu Dhabi.

A slowdown in the French Defence Ministry's ordering of Mirage

2000s, much resented by the air force but forced by budgetary austerity, has raised the importance of a strong order book. But Dassault's policies during the 1960s and 1970s of selling fast, manoeuvrable and cheap aircraft to the Third World—when it often acted as an instrument of France's independent foreign policy stance—may turn out less successful in the future.

Dassault itself implicitly accepts the need to diversify and to put more emphasis on co-operation.

With nearly 90 per cent of sales in military aircraft, Dassault is now bidding for a place in the European space business. It is competing with Aerospatiale for design leadership for Europe's planned mini-space shuttle, Hermes, planned to be launched by the Ariane rocket in the mid 1990s.

The French Government, which has 55 per cent of Dassault voting shares, this summer gave M Vallières a mandate to stay on as chairman until October 1986—after next year's general election. The Dassault shareholding structure might anyway change in the next few years, given the advanced age of its principal shareholder and the rising opposition's denationalisation plans.

Whoever takes over the Dassault helm in November 1986—either a top civil servant or one of M Vallières' present directors—will be presiding over a company facing greatly different challenges from the one that flourished under President Charles de Gaulle.

THE LEX COLUMN

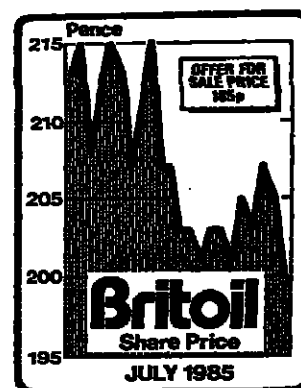
Brain-teaser from the Professor

S. G. Warburg and Cassinove must be ruling the day they encouraged Professor Roland Smith to occupy the chair at House of Fraser. As advisers to Burton in its attempt to take over Debenhams, they find that their creation has developed his own ideas for the future of British retailing and, what is more, he has learned a thing or two from the best spoiler in the business about the influence that can be exerted from a minority position. After years of just responding to pricks and kicks from Lounsbury, Professor Frankenstein and his colleagues now relish taking an independent line.

The House of Fraser intervention has made the last few days of the Burton offer into a tactical nightmare. With Fraser thought to have gone past 20 per cent yesterday, either side can probably buy another few million shares—or sell. As was shown by the success of Dinos' offer for Currys, the holding of a 25 per cent stake is not necessarily an insurmountable barrier. But the position is complicated on this occasion by the fact that Fraser and Debenhams have produced what looks like a merger document in all but name.

Yesterday's proposals set out the possibilities for co-operation in purchasing, distribution and credit finance. If implemented, the plan would leave store management and promotion as virtually the only areas of autonomous operation. Apart from being designed to scupper the Burton offer by offering a commercial alternative, that this is as clear a challenge as could be to the OFT's current free-end-easy approach to merger policy. Fraser/Debenhams could claim, and the marriage value of the association is arguably the greater because of the obvious similarities between the two businesses and the overlaps that could be eliminated.

If only Debenhams' shareholders were faced with a simple choice between the concept retailing offered by Messrs Halpern and Conran and the more straightforward buying power arguments of Fraser, if Burton wins, Fraser will be left with around 25 per cent, to complicate Mr Halpern's lifestyle, while if the bid lapses, Burton will be able to buy enough shares to frustrate the necessary circular for the Fraser scheme. In such a tangle, the best course of action is normally the simplest: Debenhams shareholders are being offered what looks a rich



match between NatWest and the calculations of its followers, there is also room for a touch of genuine concern about the performance of the domestic banking operations.

Balance-sheet growth has been restrained indeed. In the light of recent UK monetary growth, to show only 5.4 per cent expansion in the sterling book is practically to admit the loss of some market share.

Unless Barclays proves to have slipped up in some equally unpredictable way, NatWest could find that its shares—still at a premium yesterday—are soon pulled back in to the pack.

Britoil

After the initial Britoil debacle, it was clear that British financial institutions would not let Government get away with anything less than generous terms on the sale of the rest of its shares. In fact, the Government and its advisers were completely at the mercy of the City this time; the institutions knew perfectly well that the Government could not afford a double flop for Britoil.

So it was no surprise that the institutions got the 10 per cent yield they had demanded, with additional sweeteners of partial payment and an extra interim dividend. To reach this yield, Leazards had to fix the new shares at a 9.8 per cent discount to a share price which had already fallen by 28p from its peak of 233p since the issue was announced. By contrast, British Aerospace's shares—admittedly in a bull market—were sold at a 5.1 per cent discount to a rising share price.

At yesterday's price of 200p, Britoil's share price has moved not a jot since the company was launched nearly three years ago—during which time, the company's net profits have grown by 60 per cent and its dividend by 30 per cent. Meanwhile, it has generated so much cash that borrowings have vanished altogether, far sooner than anyone expected.

On any measurement, Britoil looks cheap. Subscribers to the issue were to be earning over 13 per cent in their first year and over 10 per cent thereafter on current dividends. They will be buying a share standing at only half its estimated net asset value and five times this year's earnings. Small wonder, then, that Swiss investors greedily snapped up the 10 per cent they were offered. They probably could not believe their luck.

Damascus gives 50 tanks to Amal

By Our Middle East Staff

AMAL, the mainstream militia of the Shia sect in Lebanon, yesterday took delivery of up to 50 T-54 tanks supplied by Syria in a move by Damascus probably aimed at pressuring the Maronite Christians into agreeing to constitutional and political reforms.

ALTHOUGH Amal, with an estimated 6,000 men under arms, is the biggest of the Lebanese militias, it has not hitherto possessed armour. Fifty T-54 tanks—the number quoted by one Amal official, who said they had been pledged two months ago—would give the movement superiority in tanks over the Christian Lebanese Forces, but not necessarily over the militia of the predominantly Druze Progressive Socialist Party.

The arrival of tanks on transporters from the Bekaa Valley, where the Syrian Army is positioned, caused observers some bewilderment. In a security plan drawn up under Syrian auspices on July 9, leaders of armed Moslem factions agreed to withdraw their militiamen from West Beirut. Security was left in the hands of a mixed force composed of Lebanese army and police units.

A statement issued by the military branch of Amal said last month that the tanks would be used for collection of weaponry, as decreed in the latest Syrian-sponsored plan.

It said that the mainly Shia Lebanese Army's 6th Brigade, which is in control of security in West Beirut, was being entrusted with the tanks. The unit collaborated with Amal in the month-long battle against Palestinian fighters in the refugee camps earlier this summer.

Delivery of the tanks coincided with a visit to Damascus by Mr Joseph al Hashem, Minister of Health, who is a senior member of the Phalange Party, the main Christian political grouping. It was reported that he had been sent by President Amin Gemayel to submit a list of Christians who might take part in planned talks on inter-sectarian reconciliation and political reforms.

Observers saw the provision of the T-54 tanks to Amal primarily in the context of accelerating Syrian moves to engineer or impose a new political order on Lebanon.

British proposals on star wars draw cool response from U.S.

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT, IN LONDON

PROPOSALS by the UK Government that Britain should be guaranteed a \$1bn to \$2bn share in the \$38bn American star wars research programme have been coolly received by the U.S. Administration.

The new British proposals were discussed in Washington last week by Mrs Margaret Thatcher, the British Prime Minister, and Mr Michael Heseltine, the Defence Secretary, in separate meetings with Mr Caspar Weinberger, the U.S. Defence Secretary.

The two British ministers were responding to an invitation issued last March by Mr Weinberger to EEC and other allied governments to participate in the five-year Strategic Defence Initiative (SDI) programme.

It appears that the British and other U.S. officials have been somewhat taken aback at the enthusiasm and persistence of Mr Thatcher and Mr Heseltine. The proposals they have put forward go far beyond the piecemeal co-operation on "pathfinder" projects originally envisaged by Washington which, many observers believe, was proffered more in the hope of achieving allied political support for SDI than in the expectation of offering

Europe full participation in the research programme.

The new British proposals are understood to emphasise the necessity of such partnership, albeit on a bilateral basis between Britain and the U.S. The plan strives to set a financial target of between \$1bn and \$2bn for work that could be contributed by British companies, universities and research establishments over about five years. It also seeks guarantees from the U.S. of a two-way flow of technology across the Atlantic.

Mrs Thatcher supports the SDI programme although Sir Geoffrey Howe, the British Foreign Secretary, has expressed strong reservations about the strategic implications of deploying a defence against incoming nuclear missiles.

Mr Heseltine feels that, quite apart from their star wars implications, the technologies involved in the SDI research programme are vital to the development of future generations of military equipment. Britain is already strongly involved in some of those areas—namely communications, command and control systems and software and laser technology—and cannot, it is

argued, afford to be cut out of on-going research into them.

The U.S. has apparently agreed to set up a joint working group of officials to examine the UK proposals.

However, Administration officials have made no secret of Washington's strong reservations about the British plan. Those range from anticipated Congressional opposition to giving access to high-security research even to an ally of Britain's standing, to the "impracticality" of providing any sort of guarantees on workshares or technology transfer. Officials are also concerned about the political influence that full participation in SDI research might give Britain if and when deployment of SDI systems becomes possible.

That discouraging U.S. reaction seems certain to fuel fears in Britain and elsewhere in Europe that participation in the research programme might result in a brain drain and a one-way flow of technology westwards across the Atlantic.

In London, opinion seems divided as to how the Government should proceed now.

A to Z of star wars technology, Page 15

Brussels to study end of coal subsidies

By Ivo Dawans in Brussels

THE EUROPEAN Commission will today pursue long-awaited plans for the future of the EEC's coal industry, aimed at a long-term phasing out of government subsidies.

Technically, all financial support to the industry was due to come to an end on December 31 this year, but such a scheme has long been abandoned as politically unacceptable to member states.

The Commission's proposals, drawn up by M Nicolas Mosar of Luxembourg, will be examined by Energy Ministers in Brussels after the summer holidays. The sensitivity of Governments to the handling of the coal industry has already sparked rows between the Commission and member states.

Documents leaked in May suggested that M Mosar's original plan aimed at ending all subsidies by the year 2000 and cutting back production by 15 per cent by the end of this decade, so reducing jobs from the current 435,000 to 290,000.

That is understood to have been substantially diluted under pressure from the Ten.

A second controversial element in the Mosar proposals was the suggestion that the supervision of subsidies would be in the hands of the Commission as is the case with most industries operating outside the normal competition rules.

The British Government in particular is vigorously opposed to such a move, maintaining adamant that member states themselves must retain full control over the future of their domestic industries.

Hard coal production in the EEC fell to less than 43m tonnes in the first quarter of 1985, 14 per cent down on the same period last year, but 95 per cent of the drop was directly attributed to the miners' strike in the UK.

Restraint at Helsinki talks

Continued from Page 1

For Mr Shevardnadze, however, the Helsinki Agreement had stood the test of time and had remained the foundation of peaceful coexistence of states with different social, economic and political systems.

It had formalised the political realities of post-war Europe and even the serious aggravation of tensions which had occurred from time to time had not killed "the roots of détente."

The main failure of the Helsinki Agreement had been in the field of disarmament. The U.S. was responsible for this through its efforts "to implement its star wars plans by whatever means."

Looking forward to the summit meetings later this year between Mr Mikhail Gorbachev, the Soviet leader, with President Ronald Reagan of the U.S. and President François Mitterrand of France, Mr Shevardnadze said that these discussions "should result in a relaxation of the current dangerous tension in the world and a turn for the better in European and world affairs."

Japan move on trade friction

Continued from Page 1

U.S. Congress reconvenes in the autumn and Europe returns from its summer break.

Mr Shintaro Abe, the Japanese Foreign Minister, added bluntly that improved market access alone would not satisfy Japan's major trading partners.

In fact, the probability that Japan will face a general election within the next 12 months is bound to make the political constituency more favourable to stimulus. Some bureaucratic problems may have to be addressed, however.

Japanese officials were also at pains to stress the lengths that had been travelled in the import action programme. Much of it had been unveiled in advance or separately—as in the case of financial liberalisation—but the initial impression of some Western diplomats was that proposed reforms, especially in the areas of government procurement policies and simplified standards and certification procedures, went beyond their modest expectations.

AT&T sets up joint venture with Ricoh

BY PAUL TAYLOR IN NEW YORK

AMERICAN Telephone and Telegraph (AT&T), the U.S. telecommunications group, yesterday announced the formation of a new joint venture with Ricoh, the Japanese group, to market small telephone systems in Japan.

The announcement represents the latest in a string of Japanese joint-venture agreements presented by AT&T and other U.S. telephone equipment manufacturers in recent months. The deals signal the importance of the huge Japanese telecommunications marketplace and the recent opportunities presented by the privatisation of Nippon Telegraph and Telephone (NTT) on April 1 and the opening up of the Japanese market to foreign competition.

Under the terms of the latest deal, AT&T said it would hold a 51 per cent stake in AT&T Ricoh, the new company, and would arrange a technology transfer allowing it to manufacture small business tele-

phone systems adapted for the Japanese market.

AT&T, which earlier this month formed Japan ENS, another joint-venture agreement with Japanese companies to provide value-added network services in Japan, said the first product of the new company would be an AT&T small telephone system, called the R Series, "a multifunctional, cost-effective system with a maximum capacity of four outside lines and 10 telephone stations."

The U.S. group added that a higher-performance system, with eight-line capacity and 20 stations, was planned to be introduced soon. Both key telephone systems are aimed at small businesses without the need for higher-capacity private branch exchange (PBX) systems.

The latest joint-venture agreement represents an extension of AT&T's business relationship with Ricoh.

UK economy warning

Continued from Page 1

ing those at the Treasury, who expect the economy to grow by about 3½ per cent this year compared with output in 1984.

The CBI's economists say that growth is now slowing down compared with last year's growth, with output in the third quarter expected to be 2.0 per cent higher than the level a year earlier.

On the more optimistic side, however, they say: "The survey confirms the view that inflation will moderate over the coming months." But they add that this reflects "intense competitive pressure."

The survey showed some evidence that industry was suffering

increased bottlenecks from shortages of skilled labour and plant capacity although these still appear to be localised. Most firms said they could expand output if they had more orders.

The cost of finance loomed larger as a brake on investment, but uncertainty about demand was also the most common constraint along with inadequate returns on investment.

The July survey results suggest overall some general falling off in optimism, output and orders compared with very buoyant levels indicated in the last survey in April.

World Weather

Area	Temp	Wind	Cloud	Temp	Wind	Cloud	Temp	Wind	Cloud
Algeria	28	SE 12	10	31	SE 10	10	31	SE 10	10
Amman	28	SE 12	10	31	SE 10	10	31	SE 10	10
Algiers	28	SE 12	10	31	SE 10	10	31	SE 10	10
Amman	28	SE 12	10	31	SE 10	10	31	SE 10	10
Amman	28	SE 12	10	31	SE 10	10	31	SE 10	10
Amman	28	SE 12	10	31	SE 10	10	31	SE 10	10
Amman	28	SE 12	10	31	SE 10	10	31	SE 10	10
Amman	28	SE 12	10	31	SE 10	10	31	SE 10	10
Amman	28	SE 12	10	31	SE 10	10	31	SE 10	10
Amman	28	SE 12	10	31	SE 10	10	31	SE 10	10

Readings at mid-day yesterday.
C-Celsius F-Fahrenheit W-Wind S-Sun
B-Cloudy O-Overcast F-Fog P-Precipitation
S-Storm T-Thunder

J. Rothschild Holdings plc

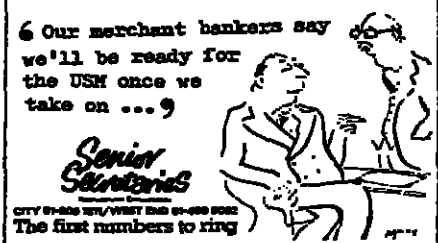
"A decade of consistent growth"

	31 March	Net assets £ million	Net assets per share pence	Dividends per share pence
1976		32.6	28.2	0.79
1977		39.9	34.8	0.88
1978		51.3	44.1	1.15
1979		80.2	58.1	1.45
1980		99.4	66.5	1.89
1981		122.3	76.7	2.20
1982		126.3	79.3	2.47
1983		232.4	110.1	2.91
1984		439.1	115.5	3.32
1985		543.6	125.2	4.56

"We have come through this period of exceptional change with a strong balance sheet and with the intention of concentrating all our skills on the calculated risking of capital to produce added value for our shareholders."

Jacob Rothschild - Chairman

To obtain a copy of the Report, please write to Richard Brown, J. Rothschild Holdings plc, 65 Holborn Viaduct, London EC1A 2DR.



Volatile exchange rates boost interbank lending

By Alexander Nicoll in London

A SHARP increase in interbank lending activity by international banks could have been due to the volatility of exchange rates, the Bank for International Settlements (BIS) reports today.

A \$54.8bn increase in cross-border interbank lending in the first quarter of 1985, against normal seasonal trends, more than accounted for a \$33.1bn rise in gross cross-border assets, quarterly figures from the BIS showed. The total increase compared with a \$32.2bn rise in fourth quarter 1984, and was sharply above the \$32.5bn growth of the first quarter of last year.

A possible explanation of the interbank surge the BIS said "may lie in the substantial movements of exchange rates, which may have entailed for the banks a large amount of spot covering of forward exchange operations conducted with their customers."

Such covering is normally done through borrowing or placing funds in the interbank market.

A further influence could have been interbank operations related to the large volume of securities issues, the BIS said.

The growth of interbank lending was actually manifested in three ways:

- Seasonal build-ups in Japanese banks' balance sheets ahead of the March year-end;
- Among European banks, growth of interbank operations which offset seasonal unwinding of positions

Changing pattern of Euromarket usage

By Our Euromarkets Staff

A BUILD-UP in official holdings of Eurocurrency deposits in currencies other than the dollar exerted a moderating influence over the U.S. currency's appreciation last year, according to a study by the Bank for International Settlements (BIS).

The analysis, published today with quarterly banking statistics, showed that the changing use of the Euromarket as a repository for official foreign exchange reserves has had a series of differing effects on exchange rates.

The BIS sketched three phases of this process. In the late 1970s, the weakness of the dollar was reinforced by a build-up of non-dollar

built up before their December year-end.

● Unusual growth in interbank positions between offshore centre and banks in other reporting countries. The interbank growth masked a substantial deceleration in final lending, which totalled only \$10bn. Loans to countries outside the industrialised world contracted by \$2.4bn. Although the first quarter usually shows slow growth, this was the first ever quarterly decline. Cross-border lending to non banks fell \$500m, but local foreign currency credits to non-bank residents rose \$1.8bn, mainly due to loans by banks in Britain and France.

The decline in lending to non-banks, which has been attributed to the growing role of securities in international financial markets, was marked by a slight decline in the indebtedness of U.S. non-banks, which had strongly stimulated this business in 1984.

The BIS figures revealed a sharp increase in the roles of both the pound and the European Currency Unit (Ecu) in international banking, with the Swiss franc also showing increased popularity.

Eurosterling assets grew at a 33.3 per cent annual rate, while the rate of Ecu growth was 21.6 per cent but was even larger if domestic lending is included. Dollar assets accounted for only \$8.1bn of the total \$32bn growth reported by countries giving a currency breakdown, and D-Mark assets declined by \$200m.

Ecu assets, totalling \$37.5bn at

the end of March, were 152 per cent up on their year-ago level. Ecu deposits have also been showing rapid growth, with a \$7bn rise to \$29.9bn in the first quarter. On both sides of the balance sheet, the increases have been accounted for mostly by interbank activity.

External assets of U.S. banks declined marginally, while European market centres and Japan showed strong growth.

Despite seasonal unwinding of positions, European banks' external assets showed \$36.7bn or 2.5 per cent growth, with a sharp \$9.4bn increase recorded by UK banks. Despite this, UK banks were net absorbers of funds by \$3.7bn.

"A substantial part of this net absorption of funds from abroad was used for investment in longer-term foreign securities which are not included in banks' asset figures," the BIS said.

Belgian, Luxembourg and Dutch banks showed strong growth in cross-border assets, while France had a slight non-seasonal increase and Italy showed only a moderate rise which suggested a fairly strong underlying growth trend. Japanese banks had seasonally strong growth in external assets in foreign currencies, but there was a deceleration in the pace of external claims in yen.

China was a large net taker of funds in the quarter, and has reduced its net creditor position with banks by \$5.5bn to \$10bn in the last two quarters.

on banks of debt problems which emerged in 1982.

"The flight to quality" resulted in large increases in holdings of U.S. Treasury securities.

Between mid-1983 and the end of 1984, there was renewed growth in both dollar and non-dollar Euro market deposits, reflecting investments by non-Opec developing countries, a halt in a decline of Opec country deposits, and purchases of D-Marks within the European Monetary System. Increased access to the Japanese market also appeared to have contributed, the BIS said.

These moves put a brake on the dollar's strength, it concluded.

UK interest rate cut prompts ICI to launch £75m bond

By Maggie Urry in London

IMPERIAL Chemical Industries took advantage of the cuts in UK interest rates to launch a £75m Euro-sterling bond yesterday. Demand for sterling denominated bonds has been boosted by hopes that the currency will continue to make gains.

ICI's deal has a seven year maturity and pays a coupon of 10% per cent. Issue price is 100% and fees total 2 per cent - unusual for this maturity - giving ICI a cost of borrowing just under the yield on UK government bond issues. The proceeds will be used for general corporate purposes. The deal is led by J. Henry Schroder Wagg with S. G. Warburg as co-lead. The bonds were trading within the fees yesterday afternoon.

The Eurodollar bond market remained in the doldrums yesterday ahead of the U.S. Treasury refunding announcement. Prices slipped by up to 1/4 point.

Kobe Steel of Japan was keen to make a successful issue and priced a \$50m five year deal with a 10% per cent coupon and par issue price. The book-runner is Chase Manhattan.

The terms looked generous given that Japanese investors can buy the bonds freely, since they are issued from Japan and the bonds were trading within a 1/4 point of the issue price.

Credit Suisse First Boston launched a \$30m floating rate note for Sundsvallbanken, the Swedish bank, as part of a \$130m package. Terms were set at a seven year maturity with interest set at 1/4 per cent above six month London inter-

bank bid rate. Fees total 25 basis points.

Syndicate managers are already beginning to look for mandates from Japanese companies to issue Euroyen floating rate notes once the final go-ahead from the Japanese authorities is obtained next spring.

The Bundesbank, West Germany's central bank, announced that eight D-Mark Eurobond issues are expected to be launched in August with a total value of DM 1,500bn. Only one of the issues will be a floating rate note, a DM 500m deal for Belgium to be led by CSFB-Effektenbank. The other seven issues will be fixed rate deals. Finland and Österreichische Kontrollbank are believed to be among the borrowers.

No new issues were launched yesterday although DM 400m of the DM 1,500bn of issues expected in July has still not appeared. It is thought that at least one issue has been postponed.

Prices were little changed in quiet trading yesterday, though the falling New York market is beginning to have a dampening effect on the D-Mark market.

In the Swiss franc foreign bond market Sodite has introduced the idea of collateralised bonds, bringing a \$100m public issue for Glendale Federal Savings and Loan. The bonds will be backed by government and mortgage paper giving the bonds a triple A credit rating. These types of issues were first launched in the Eurodollar bond market early in 1984 and have

performed better than other uncollateralised issues.

Terms were fixed at a 5% per cent coupon and par issue price for a 10-year life. The proceeds are being swapped into fixed rate dollars. Co-lead on the deal are Goldman Sachs and Manufacturers Hanover (Swiss).

SBC launched a \$100m issue for the World Bank in two tranches. The first a \$50m 10-year deal has an indicated yield of 5% per cent and the other a \$50m 30-year deal has a yield indicated at 6 per cent.

Chrysler Finance launched a \$100m seven year issue led by SBC, which is also a swap into dollars. Terms were fixed at a 5% per cent coupon and 100% issue price for the private placement.

Swiss franc foreign bonds were unchanged on average yesterday. In the afternoon the banks cut their time deposit rates from 4% per cent to 4% per cent for 3 to 12 month money but the news came too late to help the market.

The World Bank launched a 12-year public issue on the Dutch domestic bond market raising Ff 400m. ABN set the coupon at 7% per cent and issue price at 100%. On the Euroguilder market, Thyssen, the German company, launched a Ff 50m issue also led by ABN. The five year private placement pays a 7% per cent coupon and is issued at par.

International bond services, Page 17

U.S. Steel increases dividend in quarter

By William Hall in New York

U.S. STEEL, the biggest of the U.S. steel producers, has increased its quarterly dividend by one fifth to 30 cents per share. The increase - the first since mid-1983 when the company was forced to halve its dividend - is the clearest sign to date that the financial fortunes of one of the best known companies in the U.S. is recovering.

Mr David M. Roderick, U.S. Steel's chairman, says: "The increase reflects the improved condition of the corporation since its return to profitability in 1984, its strong performance in the first half of 1985 and expected continued profitability in the future."

U.S. Steel yesterday reported second quarter net income of \$133m, or 93 cents per share on sales of \$5.1bn, compared with \$140m, or \$1.04 per share, on sales of \$4.9bn in the same period of last year.

Although the second quarter figures are marginally down on last year, they are more than double the first quarter profits of \$58m.

Mr Roderick said that the second quarter results clearly demonstrate the effectiveness of the group's continuing efforts to operate its businesses more efficiently "especially in the light of the lower prices in many of the markets we serve and fewer benefits from extraordinary gains and asset sales compared with the second quarter of last year."

Commenting on the group's steel operations, Mr Roderick said that "despite a market characterised by severe price competition, steel and related resources achieved an operating income of \$25 per ton shipped. This performance reflects more than a 21 per cent reduction in manhours per ton shipped since the second quarter of last year and points to the importance of labour efficiencies to profitability."

BI-Invest in move to block Montedison

By Alan Friedman in Milan

BI-INVEST, the Milan-based property and financial group which is engaged in a bitter corporate struggle over Montedison's recently-acquired controlling stake, has taken new action designed to block the chemicals group's move. It was learned yesterday that BI-Invest has paid between L60m (\$3m) and L70m to take a 2 per cent stake in Ferruzzi, the leading Italian sugar group, which is also a shareholder in Montedison.

The latest stockmarket operation follows BI-Invest's purchase for L40m of 2 per cent of Montedison itself. Both actions are designed to thwart Montedison because of Italy's rules on cross-holdings. In the case of the BI-Invest acquisition of Montedison shares, this is designed to force Montedison to cede its 37 per cent stake in BI-Invest, for which it paid L240bn.

The Ferruzzi share purchase would have the effect of blocking any transfer of the BI-Invest 37 per cent stake from Montedison to Ferruzzi. This is a possibility as Sig Mario Schimberni, Montedison's chairman, and Sig Raoul Gardini, Ferruzzi chairman, are business allies. Ferruzzi owns just above 3 per cent of Montedison.

Meanwhile, Sig Cesare Romiti, Fiat managing director, is acting as an intermediary and trying to find a solution which will save face all round.

Mannesmann chief dies

By Jonathan Carr in Frankfurt

DR FRANZ Josef Weisweiler, chief executive of Mannesmann, the West German engineering concern, died yesterday after a brief illness. He was aged 57.

His death robs one of the country's top companies of a tough and forthright leader who had been in the job for just two years.

Dr Weisweiler was with Mannesmann from 1970, among other things heading the group's steel pipes division - notable not least for the big contracts it won from the Soviet Union.

After serving as board member responsible for technical development, he succeeded Dr Egon Overbeck as chief executive in 1983. Under Dr Weisweiler's leadership, the group has flourished, with net profits almost doubling last year to DM 188m (\$66.9m) on turnover close to DM 16bn. It is not yet clear who will succeed him.

Turner threatens proxy campaign against CBS

By Paul Taylor in New York

MR TED TURNER, chairman of Turner Broadcasting Systems (TBS), yesterday confirmed that he was trying to raise cash for a new offer for CBS, and threatened that, if this attempt failed, he would wage a proxy battle against CBS at the U.S. broadcasting group's next annual meeting.

The Turner threat came after the U.S. Federal Communications Commission (FCC) rejected his attempt to block CBS's proposed \$85.4m or \$150 a share stock buyback offer for 21 per cent of its stock - part of the broadcasting group's anti-takeover defences thrown up after Turner Broadcasting made a hostile all-paper bid for CBS in mid-April.

Mr Turner, responding to the FCC decision, said he would continue to pursue his takeover attempt, even if he failed to win a court injunction blocking the recapitalisation plan.

Loews disclosed the 2.85m-share stake, which it said it had acquired for \$347m, in a U.S. Securities and Exchange (SEC) filing. The group said it had acquired the shares for investment purposes only and would tender the stock under the CBS share buyback plan.

Wall Street views the move as part of a complex arbitrage share trading strategy, taking advantage of complex corporate tax provisions, rather than the preliminary to a possible hostile takeover attempt. Yesterday CBS shares were trading at \$117.4, up 5/8 on the overnight close.

However, Loews also disclosed that during informal talks with CBS, Mr Tisch had indicated an interest in acquiring the broadcasting group. Those discussions took place after the Turner bid was tabled.

Rockefellers plan to raise \$1.1bn

By Our New York Staff

THE Rockefeller family has announced plans to raise \$1.1bn through a complex public share and foreign convertible debt offering involving the launching of a new company which will eventually own 60 per cent of the Rockefeller Center, one of New York's most famous and valuable parcels of land and office buildings.

Under the terms of the plan Rockefeller Group (RGI), owned by the Rockefeller family, has formed a new company, Rockefeller Center Properties. The new company announced plans for an initial public offering involving 30m common shares priced at \$20 each to raise \$600m, and the sale of convertible debentures, to be offered outside the U.S., which are expected to raise an additional \$500m.

The proceeds of the sale will be used to make a \$1.1bn participating

convertible loan to the family interests.

In addition, the debentures will be convertible into 57m shares in the new company in the year 2000. At that stage Rockefeller Center Properties will have the option to convert the \$1.1bn loan into a 60 per cent interest in the Rockefeller Center, leaving the Rockefeller family with a 40 per cent stake.

The eventual sale of a majority public interest in the Rockefeller Center, which comprises a huge block of land and 8.2m sq ft of prime office and retail space in the heart of fashionable mid-town Manhattan on Fifth Avenue, appears to represent a significant shift in strategy by the Rockefeller family interests, and an attempt to diversify their holdings.

Last year RGI acquired most of the land under the Rockefeller Center from Columbia University, for

Robert Bosch streamlines Spanish units

By Our Frankfurt Correspondent

ROBERT BOSCH, the West German electricals and vehicle components concern, has merged its two manufacturing companies in Spain to help to streamline operations and cut costs.

The merger forms part of a restructuring plan agreed with the Spanish trade unions and Government, involving concentration of production at fewer plants as well as closer integration into Bosch's international manufacturing network.

The new company - Fabrica Española Magnetos SA (Famasa) - will employ around 5,500 people at 11 Spanish plants, compared with a labour force of more than 5,700 employed at Bosch's two Spanish concerns last year.

Bosch notes that it has injected big, but unspecified, funds into its Spanish operations in recent years - both to cover losses and to finance a DM 250m (\$88.9m) investment programme between 1981 and 1985.

Xerox earnings advance by 35%

By Our New York Staff

XEROX, the U.S. office equipment group, yesterday reported a 35 per cent gain in second-quarter income from continuing operations, buoyed by renewed strength in its Crum and Forster insurance subsidiary.

In the latest quarter Xerox, which has been struggling to reverse a sharp earnings slide last year, reported income from continuing operations of \$118m or \$1.11 a share compared with \$88m or 79 cents a share in the corresponding period a year ago. The second-quarter earnings lifted six month income from continuing operations to \$224m or \$2.19 a share from \$22m or \$2.07 in the 1984 period.

Continuing operations for both the 1985 and 1984 periods exclude operating results from the group's publishing units, which are being sold, and its Shugart computer disk-drive unit, which were discontinued in the 1984 fourth quarter.

In the latest second quarter \$103m income from discontinued operations made final net earnings of \$221m or \$2.17 a share, while in the six-month period \$100m in income from these operations lifted net earnings to \$34m or \$2.07.

Revenues from Xerox's continuing reprographics and information systems business in the quarter increased by 3 per cent to \$2.14bn from \$2.08bn and by a modest 1.5 per cent to \$4.08bn from \$4.02bn in the six-month period.

The company said second-quarter income from its continuing reprographics and information systems business increased by 9 per cent to \$102m against \$94m a year earlier. Income from the group's financial services division, comprising Crum and Forster, Xerox Credit and Van Kampen Merritt, rose to \$28m from \$5m in the year-earlier quarter and from \$38m to \$48m in the first half.

The gain was spurred by a turnaround in the insurance business, but Xerox noted Crum and Forster's second-quarter and first-half operating results were adversely affected by the need to increase reserves to cover higher estimated costs to settle outstanding claims.

UK groups arrange loan facilities

By Our Euromarkets Staff

MARKS & Spencer, the UK retailer, is arranging a £75m (\$106.5m) bankers' acceptance and advances facility to back the credit-card operations of its subsidiary, St Michael Financial Services.

M. Rothschild is leading the one-year facility, from which drawings will be made through the ten-

der panel system.

Separately, another facility for a UK borrower has been increased by 50 per cent to \$300m after a strong response in syndication. The seven-year multiple option facility, led by Citicorp for Grand Metropolitan, the hotels, leisure and catering concern, has also had its backstop ele-

ment raised from \$100m to \$150m.

The Italian tyre group Pirelli, which recently tapped the Eurobond market for a three-tranche \$150m issue in three currencies, is also arranging a \$50m revolving acceptance facility with a one-year maturity and a maximum acceptance commission of 1/2 per cent.

NEW ISSUE

All these securities having been sold, this announcement appears as a matter of record only.

July 1985



KYUSHU ELECTRIC POWER CO., INC.

ECU 60,000,000

9 per cent. Notes 1990/1991

Issue Price 100 per cent.

The Nikko Securities Co., (Europe) Ltd.

First Chicago Limited

Generale Bank

Société Générale

Algemene Bank Nederland N.V.
Banque Paribas Capital Markets
Dresdner Bank Aktiengesellschaft
Kleinwort, Benson Limited
Nippon European Bank S.A.
Orion Royal Bank Limited
Sumitomo Finance International
S. G. Warburg & Co. Ltd.

Banque Bruxelles Lambert S.A.
Daiwa Europe Limited
IBJ International Limited
Morgan Guaranty Ltd
Nomura International Limited
J. Henry Schroder Wagg & Co. Limited
Swiss Bank Corporation International Limited
Yamaichi International (Europe) Limited

These securities having been sold publicly, this announcement appears as a matter of record only.

New Issue

July 1985



Metallgesellschaft Canada Investments Limited

\$50,000,000 (Cdn.)
(2,000,000 Shares)

Floating Rate Cumulative Redeemable Retractable
Class B Preferred Shares Series 1

Price: \$25 (Canadian) per share

Burns Fry Limited Wood Gundy Inc.

All these securities having been sold, this announcement appears as a matter of record only.

NMB BANK

Nederlandsche Middenstandsbank nv
(Incorporated with limited liability in The Netherlands with its corporate seat in Amsterdam)

U.S.\$100,000,000

Floating Rate Notes due 1992

S. G. Warburg & Co. Ltd.

Morgan Grenfell & Co. Limited

Nederlandsche Middenstandsbank nv

Arab Banking Corporation (ABC)

Banque Indosuez

Chase Manhattan Capital Markets Group

Crédit Commercial de France

Daiwa Europe Limited

Fuji International Finance Limited

E F Hutton & Company (London) Ltd

Kreditbank International Group

Kyowa Bank Nederland N.V.

Privatbanken A/S

Saudi International Bank

J. Henry Schroder Waggy & Co. Limited

Swiss Bank Corporation International Limited

Takagin International Bank (Europe) S.A.

Yamaichi International (Europe) Limited

Yasuda Trust Europe Limited

BTR plc

has acquired

87% of the ordinary shares and
97% of the preference shares

of

Dunlop Holdings plc

The undersigned acted as United States financial advisors to
BTR plc in this transaction and as co-dealer managers
of its ADR purchase program.

Lazard Frères & Co.

Morgan Grenfell Incorporated

July, 1985

INT. COMPANIES and FINANCE

Takeover defence costs hit Unocal

By William Hall in New York

UNOCAL, the U.S. West Coast oil group, suffered a 35 per cent fall in earnings to \$120.4m in the second quarter, primarily due to the costs incurred in the successful defence against Mr. T. Boone Pickens, the corporate raider who tried to take the company over earlier this year.

Mr. Fred Hartley, Unocal's chairman, said \$60m of the earnings decline was due to higher expenses incurred in the takeover fight and higher interest charges to service Unocal's long-term debt, which it took on following its share buyback. The latest profits compare with \$185.7m or \$107 a share last time, and take the six-month total to \$380.1m or \$1.89 against \$385.8m or \$2.11. Revenues in the quarter were \$2.9bn against \$3bn.

Mr. Hartley said: "To service our new debt, we will slow down some investments and become even sharper in our operations and investment decisions. Our strong cash flow, however, will enable us to maintain an active petroleum exploration and development programme."

The company's operating earnings remain strong, he said, due to increased geothermal energy production, higher marketing margins and pipeline equity earnings.

At Tosco, the big independent refiner which has been facing serious financial problems, reported a sharp profit improvement with second quarter earnings of \$18.6m or 77 cents per share, compared with \$11.5m or 4 cents per share in the same period last year. The company says that its margins have improved because of the larger percentage of higher-valued unleaded gasoline produced during the quarter.

N. AMERICAN QUARTERLIES

BROWNING-FERRIS INDUSTRIES

Waste disposal

Third quarter	1984-85	1983-84
Revenue	288.5m	258.2m
Net profit	31.3m	25.1m
Net per share	0.58	0.73

CUMMINS ENGINE

Diesel engines for heavy trucks

Second quarter	1985	1984
Revenue	551.4m	586.1m
Net profit	13.3m	46.4m
Net per share	1.46	4.78

DUPONT CANADA

Chemicals

Second quarter	1985	1984
Revenue	315.2m	312m
Net profit	82.0m	15.6m
Net per share	0.98	0.18

BROOKHARD CORP

Petroleum products and services

Second quarter	1985	1984
Revenue	478.2m	478.2m
Net profit	10.3m	16.8m
Net per share	0.38	0.68

ELECTRONIC DATA SYSTEMS

Information systems

Second quarter	1985	1984
Revenue	781.2m	724.4m
Net profit	42.5m	16.2m
Net per share	0.67	0.27

S. R. DONNELLEY & SONS

Largest U.S. commercial printer

Second quarter	1985	1984
Revenue	455.8m	417.8m
Net profit	32.5m	30.2m
Net per share	0.98	0.79

SONAT

Petroleum, oil and gas exploration

Second quarter	1985	1984
Revenue	822.5m	876.4m
Net profit	25.7m	83.2m
Net per share	0.63	1.33

KANSALLIS-OSAKE-PANKKI

US\$100,000,000 Floating Rate Capital Notes 1992

Second quarter	1985	1984
Revenue	455.8m	417.8m
Net profit	32.5m	30.2m
Net per share	0.98	0.79

SONAT

Petroleum, oil and gas exploration

Second quarter	1985	1984
Revenue	822.5m	876.4m
Net profit	25.7m	83.2m
Net per share	0.63	1.33

KANSALLIS-OSAKE-PANKKI

US\$100,000,000 Floating Rate Capital Notes 1992

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the next Interest Period has been fixed at 81 per cent per annum. The Coupon amount will be US\$226.04 for the US\$5,000,000 denomination and US\$11,302.08 for the US\$25,000,000 denomination and will be payable on 3rd February 1986 against the surrender of Coupon No. 4. Manufacturers Hanover Limited Agent Bank

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for July 30.

U.S. DOLLAR						New Brunswick '95		100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	
-------------	--	--	--	--	--	-------------------	--	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	--

INTL. COMPANIES & FINANCE

MTU gears up research to prepare for the era after Tornado

BY JOHN DAVIES IN MUNICH

MTU, the West German engine maker, is becoming more confident about filling the gap in the aero-engine side of its business as it faces the prospect of orders for Tornado fighter aircraft engines running out towards the end of the decade.

For some years this has been a central preoccupation at MTU, which is now part of the Daimler-Benz car and truck concern.

MTU is pressing ahead with efforts to build up the civil engine side of its Munich-based aero-engine business to help narrow the gap in post-Tornado operations. It is encouraged by signs of an uplift in the civil market, even though international competition is intense.

In industrial and aviation circles. He originally came to MTU via MAN, the truck and engine group, which joined forces with Daimler-Benz to pool some of their engine operations in the MTU group in 1983.

The other 16.2 per cent of the Friedrichshafen operations is still held by small shareholders, the shooting, which has revived mainly the Maybach and von Brandenstein-Zepplin families, who were involved in early engine and aviation development in West Germany.

With MAN agreeing early this year to sell out, Daimler-Benz has fulfilled a long-nurtured wish to extend its interest in MTU.

Benz have been looking at possibilities of mutual benefit. They have been considering, for instance, whether some engines produced by Daimler-Benz for vehicles could be adapted by MTU for use as marine or stationary industrial engines.

Daimler-Benz sees its move into MTU and Dornier as part of a long-term strategy of broadening its high technology base although their combined sales account for less than 10 per cent of the group turnover.

In research, Daimler-Benz hopes benefits could flow from one part of the group to another. For example, executives point to the possible use of heat-resistant ceramic materials for

earnings of DM 29.3m (\$10.2m), compared with DM 11.1m in 1983. Sales revenue edged down to DM 2.15bn from DM 2.18bn in 1983, with a rise in sales at the Munich's aero-engine operation more than offset by a decline at MTU Friedrichshafen.

With signs of improvement in the civil aviation market, civil work made up 20 per cent of MTU's aero-engine business last year, compared with 18.3 per cent in 1983. Civil work is expected to account for nearly 50 per cent of a reduced sales revenue by the end of the decade.

Production of the Tornado RB 199 engine — a project in which MTU has co-operated with Rolls-Royce of the UK and Fiat of Italy — makes up about 70 per cent of work at MTU's factory on the outskirts of Munich. Other military work includes maintenance and repair of Phantom and Starfighter engines.

The aero-engine business has been running at full strength, with the Munich factory running a third shift in some operations to keep pace with demand.

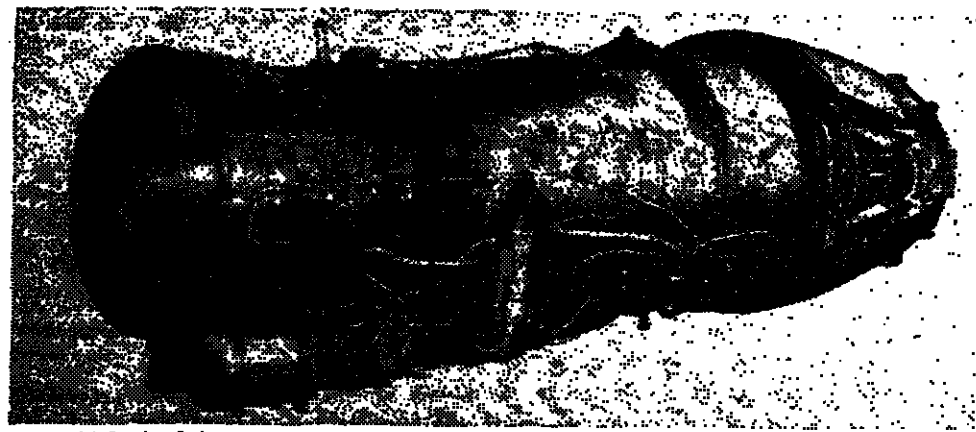
Part of the improvement in civil engine prospects lies with the V2500 engine developed in co-operation with Pratt and Whitney, Rolls-Royce, Japanese Aero-Engines Corporation and Fiat. The V2500 engine is receiving an impetus as a result of orders by airlines, including West Germany's Lufthansa, for the European Airbus A320 airliner.

Executives point out that military engine work, such as the Tornado engine project, produces spin-off technological benefits in the civil engine area.

This is one reason why Dr Dinger argues for retrieving some sort of European fighter aircraft project from the lengthy five-nation talks involving France, West Germany, the UK, Italy and Spain. The project has appeared in doubt, largely because France has a different concept of the kind of aircraft needed.

At MTU Friedrichshafen, just under half the sales revenue comes from marine diesel engines, with another third or more from engines for heavy vehicles — particularly the Leopard 2 tank.

The marine market, which is characterised by relatively small-scale orders, remains weak, with many customers in developing countries pressing for countertrade deals as a means of financing business.



Production of the Tornado RB 199 engine makes up about 70 per cent of work at MTU's Munich factory

In the other major branch of its business—production of diesel engines at Friedrichshafen for ships, certain heavy vehicles and industrial uses—MTU still faces a difficult world market, which is suffering from weak demand and overcapacity.

In addition the company is coming to terms with two major events which brought it into the headlines earlier this year: the assassination of Dr Ernst Zimmermann, its chief executive, and a change in its ownership.

The company is still numbed by the murder of Dr Zimmermann, who was shot dead by intruders at his home near Munich in February. Police attribute the shooting to left-wing terrorists opposed to the West's "military-industrial complex."

Dr Zimmermann, who was 55, had been head of MTU since 1978 and was highly respected

Dr Hans Dinger, who recently moved up from the position of deputy chief executive to take over the top job, cautiously stresses that he expects no dramatic change as a result of the Daimler-Benz move.

Daimler-Benz has already made clear that it sees a high degree of independence for both MTU and Dornier, the light aircraft maker and research concern in which its recently succeeded in buying a 65.5 per cent stake. In one respect, MTU has gained more room for manoeuvre. Previously it had a contractual obligation to transfer profits to its equal owners but there is no such contract with Daimler-Benz. As a result, there should be greater scope for internal financing of future developments.

Dr Dinger says that there is no plan for altering the range of diesel engines at MTU, but executives at MTU and Daimler-

engines. Research co-ordination here might have implications for both aero-engine and vehicle engine business.

Daimler-Benz recently named its representative on the supervisory boards overseeing MTU and Dornier. As expected, Dr Werner Niefer, has taken over as chairman of MTU's supervisory board.

Dr Niefer played a major role in the formation and running of MTU before becoming a member of the Daimler-Benz management board.

Other key Daimler-Benz men with a supervisory role in MTU are Dr Gerhard Liener, the much-travelled Daimler board member responsible for its worldwide subsidiaries, Herr Edzard Reuter, Daimler's finance chief, Dr Rudolf Hoernig, the car group's research expert and Dr Manfred Gentz, personnel chief.

Last year, MTU reported net

This announcement appears as a matter of record only. The securities have not been registered under the United States Securities Act of 1933 and may not be offered or sold in the United States or to U.S. persons as part of the distribution.

New Issue

30th July, 1985

U.S.\$200,000,000



Rockwell International

9% per cent. Notes due 1990
of
Rockwell International Corporation

Issue Price 99 3/4 per cent.

Union Bank of Switzerland (Securities) Limited
BankAmerica Capital Markets Group
County Bank Limited
Deutsche Bank Aktiengesellschaft
Genossenschaftliche Zentralbank AG-Vienna
E F Hutton & Company (London) Ltd
Kleinwort, Benson Limited
Nomura International Limited
Svenska Handelsbanken Group
Banque Bruxelles Lambert S.A.
Crédit Commercial de France
Dresdner Bank Aktiengesellschaft
Goldman Sachs International Corp.
Istituto Bancario San Paolo di Torino
Merrill Lynch Capital Markets
Orion Royal Bank Limited
Solomon Brothers International Limited
Swiss Bank Corporation International Limited
Yamaichi International (Europe) Limited

Algemene Bank Nederland N.V.
Banca Commerciale Italiana
Bank of Canada (C.I.) Limited
Bank of Tokyo International Limited
Banque Générale du Luxembourg S.A.
Barclays Merchant Bank Limited
Bayerische Hypotheken- und Wechsel-Bank AG
Bayerische Vereinsbank Aktiengesellschaft
CIBC Limited
Compagnie de Banque et d'Investissements, CBI
Daiva Europe Limited
Dillon, Read Limited
Gefina International Limited
Hambros Bank Limited
Kreditbank N.V.
Merck, Finck & Co.
Samuel Montagu & Co. Limited
Oesterreichische Länderbank AG
PK Christiana Bank (UK) Limited
Smith Barney, Harris Upham & Co. Incorporated
Vermont and Westbank Aktiengesellschaft
Westdeutsche Landesbank Girozentrale
Amro International Limited
Banca del Gottardo
Bank J. Vontobel & Co. AG
Banque Internationale à Luxembourg S.A.
Banque Paribas Capital Markets
Baring Brothers & Co., Ltd.
Bayerische Landesbank Girozentrale
Berliner Handels- und Frankfurter Bank
Commerzbank Aktiengesellschaft
Creditalstat-Bankverein
Den norske Creditbank
Euronobiliare S.p.A.
Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft
Handelsbank N.W. (Overseas) Limited
Lloyds Merchant Bank Limited
B. Metzler soel. Sohn & Co.
Morgan Grenfell & Co. Limited
PaineWebber International
Société Générale
Schweizerische Hypotheken- und Handelsbank
Sumitomo Finance International
The Nikko Securities Co., (Europe) Ltd.
Pierston, Heidring & Pierson N.V.
Verband Schweizerischer Kantonalbanken
S. G. Warburg & Co. Limited
Wood Gundy Inc.

NEW ISSUE

All these securities having been sold, this announcement appears as a matter of record only.

July 1985

SEK

AKTIEBOLAGET SVENSK EXPORTKREDIT

Japanese Yen 13,500,000,000
Zero Coupon Bonds Due 1990

ISSUE PRICE 73.261 PER CENT.

The Nikko Securities Co., (Europe) Ltd. Mitsubishi Trust & Banking Corporation (Europe) S.A.

Algemene Bank Nederland N.V.
BankAmerica Capital Markets Group
Banque Bruxelles Lambert S.A.
Barclays Merchant Bank Limited
Citicorp Investment Bank Limited
Enskilda Securities
IBJ International Limited
Kreditbank International Group
Merrill Lynch Capital Markets
Nippon Credit International (Hong Kong) Limited
Post- och Kreditbanken, PKBanken
Sparebanken Oslo Akershus
Swiss Bank Corporation International Limited

Bank of Tokyo International Limited
Bankers Trust International Limited
Banque Paribas Capital Markets
Bayerische Hypotheken- und Wechsel-Bank AG
Daiva Europe Limited
Generale Bank
Kleinwort, Benson Limited
LTCB International Limited
Morgan Stanley International
Nomura International Limited
N. M. Rothschild & Sons Limited
Svenska Handelsbanken Group
Yamaichi International (Europe) Limited

All of these securities having been sold, this announcement appears as a matter of record only.

New Issue / July, 1985



Atlantic Richfield Company

\$1,000,000,000

\$500,000,000

10% Notes Due 1995

\$500,000,000

10% Debentures Due 2005

Salomon Brothers Inc

The First Boston Corporation

Goldman, Sachs & Co.
PaineWebber
ABD Securities Corporation
Dillon, Read & Co. Inc.
E. F. Hutton & Company Inc.
Prudential-Bache
Swiss Bank Corporation International
Dean Witter Reynolds Inc.
Nomura Securities International, Inc.
Merrill Lynch Capital Markets
Bear, Stearns & Co.
Donaldson, Lufkin & Jenrette
Kidd, Peabody & Co.
L. F. Rothschild, Unterberg, Towbin
UBS Securities Inc.
Daiva Securities America Inc.
Morgan Stanley & Co.
Shearson Lehman Brothers Inc.
Deutsche Bank Capital
Drexel Burnham Lambert
Lazard Frères & Co.
Smith Barney, Harris Upham & Co.
Wertheim & Co., Inc.
The Nikko Securities Co.
Yamaichi International (America), Inc.

Olivetti International S.A.

SFr. 100,000,000 5½% 1985-1995

guaranteed as to principal and interest by

olivetti

Ing. C. Olivetti & C., S.p.A.

MORGAN GUARANTY (SWITZERLAND) LTD

BANCA COMMERCIALE ITALIANA
(SUISSE)
KREDIETBANK (SUISSE) S.A.

CRÉDIT COMMERCIAL DE FRANCE (SUISSE) S.A.
THE ROYAL BANK OF CANADA (SUISSE)

BANK HEUSSER & CIE. AG
BHF-BANK (SCHWEIZ) AG
DRESDNER BANK (SCHWEIZ) AG
J. HENRY SCHRODER BANK AG

BANQUE BRUXELLES LAMBERT (SUISSE) S.A.
COMPAGNIE DE BANQUE ET
D'INVESTISSEMENTS, CBI
SAMUEL MONTAGU (SUISSE) S.A.
SOCIÉTÉ GÉNÉRALE ALSACIENNE DE BANQUE
- Centre Sociétés Générale -

June 1985

INTL. COMPANIES & FINANCE

Doubts on Daim's efforts to bolster share prices

BY WONG SULONG IN KUALA LUMPUR

MALAYSIA'S depressed stock market is moving into a crucial stage, as investors and analysts ponder whether the current bullish trend generated by the active intervention of Mr Daim Zainuddin, the country's increasingly influential Finance Minister, could be sustained.

The Kuala Lumpur Stock Exchange Industrial Index, which fell to a 30-month low of 455 points in mid-July, rose strongly to 488 last Friday on active trading, following Mr Daim's exhortation to the country's leading bankers and corporate chiefs to buy strongly into the market to prop it up.

Volume traded on the KLSX last week surged to 103.7 million shares, valued at 177m ringgit (US\$47.5m)—a record since the 1981 boom—as government financial institutions, such as the Employees Provident Fund, and Permodalan Nasional, the national investment agency, bought heavily into the market.

There was, however, strong evidence of profit taking by Singapore and overseas investors, and this was reflected on Monday when the KLSX index remained unchanged at 488 on a turnover of 15.5m shares. Since he took over the finance portfolio last July, Mr Daim has worked hard to revive the KLSX. The measures he has taken so far include a sharp cut in individual income tax in last October's budget; an order to commercial banks to lend more money for share purchases last December; bringing the Capital Issue Committee, the watchdog of the securities industry, under his direct

control in January; a freeze on all new public listings in February; the lowering of commercial banks' statutory reserves in April; and the lowering of interest rates last month.

He has also announced major changes to attract foreign investments, including allowing foreigners to retain 51 per cent equity control of joint ventures on easy terms, and a review of the cumbersome rules of the Industrial Co-ordination Act.

Bankers and share analysts in Kuala Lumpur are of two minds as to whether his efforts will work. They are unanimous, however, that Mr Daim is best equipped to do the job since he was a very successful businessman and stock market operator before joining the government.

"I don't think Daim will work in the longer term," says one analyst, referring to the measures taken by the Finance Minister. "There is no intrinsic confidence in the market, and it cannot be sustained by artificial manipulation. The KLSX has remained depressed because of poor fundamentals. The Malaysian economy and political situation are not promising."

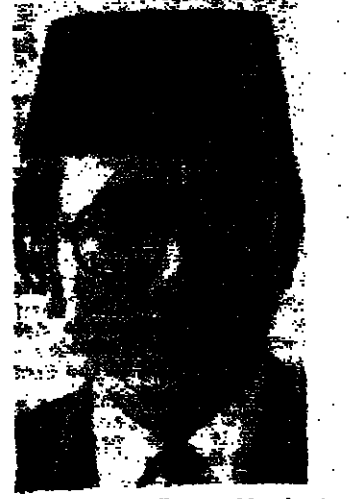
A merchant banker said only Malaysia's Government-controlled financial institutions, such as the Employees Provident Fund, have the resources to invest on a large scale. Another merchant banker feels that if Mr Daim can sustain the rally for a few weeks, there is a good chance of a stock market revival — buying confidence would be built up and would generate its own momentum. He said Mr Daim had obviously been given a free hand by Dr Mahathir Mohamed, the Prime Minister, to revive the stock market and further

ruled that CIC approval must precede any bid.

The decision settled a badly contested share exchange offer by BRF Holdings for Kestor Corporation. This has now been called off.

Yesterday, Raleigh Cycles, the property and manufacturing company controlled by the family of Mr Daim Zainuddin, called off a friendly bid for Cold Storage Malaysia because it had been unable to get CIC approval.

The decision to call off the bid is seen as a setback to Mr Daim.



Dr Daim Zainuddin—working hard to revive the KLSX

stock-boosting measures can be expected.

There is still much conjecture as to why the Malaysian Government is so keen to prop up the stock market.

Mr Daim said the current depressed market did not reflect the basic strength of the Malaysian economy, and the Government was concerned that the continued decline of the KLSX would affect local and foreign investors' confidence in the country.

It is also possible that the Government is stepping in to help out the numerous businessmen, including some prominent names, who have landed themselves in serious difficulties trying to service bank loans used to buy shares and property whose values have taken a plunge.

The Malaysian Government is also thinking of the general election early next year. A revived stock market means its election machinery would be well lubricated with financial contributions.

Malaysian bids called off

Bridgestone profit tops forecast

BY YOKO SHIBATA IN TOKYO

BRIDGESTONE, Japan's largest tyre maker, with 50 per cent of the domestic market, has reported larger than expected parent company pre-tax profits of ¥21.12bn (\$887m), up 15 per cent in the half year to June 30. Net profits were ¥9.53bn, up 13 per cent on sales of ¥288.94bn, up 8.7 per cent.

The rise was ascribed to profit improvements in the export division, stemming from the year's depreciation, lower raw materials prices and more effective management.

Higher sales came from brisk

shipments of tyres for new cars, reflecting increased car exports to the U.S. and China. Exports accounted for 32 per cent of turnover, up 7 per cent.

For the full year, Bridgestone expects pre-tax profits to expand by 16 per cent to ¥44bn, ¥4bn more than the original projection. Net profits are forecast at ¥20bn, and turnover at ¥600.000bn, up 11 per cent. The annual dividend will be held at ¥10 per share.

● Nippon Yusen, Japan's biggest shipping line, has reported consolidated net profits

of ¥7.54bn for the year to March, against ¥13.63bn, on turnover of ¥335.78bn, against ¥780.73bn.

It also announced it is buying from Texaco of the U.S. three 235,000 DWT tankers for ¥10bn, with six to nine-year loading contracts attached with Mitsubishi Oil.

Tanker owners are keen to secure long-term charter contracts with oil companies, and NYK's purchase is regarded as a good bargain since it has ready access to loading guarantees.

Hill Samuel in NZ venture

By Del Hayward in Wellington

HILL SAMUEL New Zealand, the merchant bank has joined Francis, Allison, Symes and Company, a leading New Zealand stock broker, to set up an investment bank to be known as Faa Macquarie.

The bank will be 70 per cent owned by Macquarie Bank, Hill Samuel's Australian arm—and 30 per cent by the government-owned Life Insurance Corporation.

The bank will provide corporate advice, fixed interest market services, and local government services.

Stock market restrictions start to bite in Bombay

BY R. C. MURTHY IN BOMBAY

SHARE VALUES on the Bombay Stock Exchange have dropped by more than five per cent over the past week as measures to curb speculation have started to bite. The daily turn-over in shares of the 55 most actively traded companies plummeted to less than a third from Rs120m (\$10m) before an unprecedented 40 per cent margin was imposed.

The BSE asked brokers to deposit in cash at the end of the day 40 per cent of their daily turnover in shares of all companies traded. Shares of more than 1,650 companies are listed on BSE, India's largest and most active share market.

The restriction followed a burst of speculative fervour since mid-July which lifted share prices to dizzy heights. The Bombay share price index of the Economic Times, India's main newspaper, soared 11.7

per cent to a record 555.7 points within a week before restrictions were imposed on July 23.

India's stock markets have been rising steadily since March 16 when Mr Rajiv Gandhi's government presented its first budget, cutting corporate and personal taxation and liberalising investment norms. Speculators have found the stock markets more attractive than commodity and bullion markets.

"Money is flowing into the stock market like water," says Mr Arvind Dalal, a prominent broker. "These stringent restrictions are necessary," says Mr Dalal, to prevent the stock markets from overheating and driving away investors. The BSE governing body has expressed satisfaction at the behaviour of the market and plans to relax the restrictions at the week-end.

U.S. \$30,000,000

IBJ

The Industrial Bank of Japan, Limited
London

Floating Rate London-Dollar Negotiable
Certificates of Deposit due 30th January, 1987

In accordance with the provisions of the Certificates, notice is hereby given that for the six month Interest Period from 31st July, 1985 to 31st January, 1986 the Certificates will carry an Interest Rate of 8¼% per annum. The relevant Interest Payment Date will be 31st January, 1986.

Credit Suisse First Boston Limited
Agent Bank

This announcement appears as a matter of record only. July, 1985

ZORZAN INVESTMENTS LIMITED
(Incorporated with limited liability in Hong Kong)

U.S. \$30,000,000

11½ per cent. Guaranteed Notes Due 1988
Unconditionally and irrevocably guaranteed by

Brierley Investments Limited

(Incorporated with limited liability in New Zealand)

BIL

Private Placement
arranged by

Simon & Coates

funds provided by

Rudolf Wolff Financial Services Limited

US\$250,000,000 GUARANTEED FLOATING RATE SUBORDINATED CAPITAL NOTES DUE JANUARY 1997

CITICORP BANKING CORPORATION
(Incorporated in the State of Delaware)

Unconditionally guaranteed on a subordinated basis by

CITICORP

Notice is hereby given that the rate of interest has been fixed at 8¾% and that the interest payable on the relevant Interest Payment Date October 31, 1985 against Coupon No. 3 in respect of US\$10,000 nominal of the Notes will be US\$214.03.

July 31, 1985, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

US\$400,000,000 GUARANTEED FLOATING RATE SUBORDINATED CAPITAL NOTES DUE OCTOBER 1996

CITICORP BANKING CORPORATION
(Incorporated in the State of Delaware)

Unconditionally guaranteed on a subordinated basis by

CITICORP

Notice is hereby given that the rate of interest has been fixed at 8¾% and that the interest payable on the relevant Interest Payment Date October 31, 1985 against Coupon No. 4 in respect of US\$10,000 nominal of the Notes will be US\$214.03.

July 31, 1985, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

This announcement appears as a matter of record only

NEW ISSUE

July 5, 1985

4,200,000 Shares of Common Stock
(no par value)

Tubos de Acero de Mexico, S.A.
(Tamsa)
(A Mexican Corporation)

The Company has successfully completed an offering to holders of its Common Stock, including Common Stock represented by American Depositary Shares, of transferable rights to subscribe for additional shares of Common Stock (the "Subscription Offer") and, following the conclusion of the Subscription Offer on June 27, 1985, an offering of the remaining shares to investors. The price fixed for the exercise of subscription rights and the subsequent sale of remaining shares was 930 Mexican pesos per share of Common Stock and \$3.75 per American Depositary Share.

Depository

Morgan Guaranty Trust Company of New York

30 West Broadway
New York, New York 10015

This advertisement is published by The Burton Group plc, whose directors (including those who have delegated detailed supervision of this advertisement) have taken all reasonable care to ensure that the facts stated and opinions expressed herein are fair and accurate. Each of the directors accepts responsibility accordingly.

Remember the price before we came along?

	*De Brett (Andre) 10p.	
7	Debenhams	185*
8	Dewhirst (I.J.) 10p....	77

No prizes for guessing where it'll go if you allow our offer to lapse.

Debenhams' share performance over the last decade could be most charitably described as uninspiring.

It didn't even keep pace with the rise in retail prices, let alone the FT All-Share Index.

On 9th April Debenhams' shares stood at 185p*—just 1p from their all-time high.

Then the City began buzzing with rumours. Sure enough on 22nd May we made our bid.

Within 6 weeks the Debenhams' share price soared by 50% and has since flown even higher.

As a shareholder, you're probably delighted.

But you shouldn't feel complacent.

If you don't accept the Burton Group offer

and our bid lapses, what price your Debenhams' shares then?

Will they plummet back to the pre-bid price?

To be honest, we don't know.

But it's worth remembering what happened back in 1972.

Debenhams received a bid from UDS. The Debenhams' board urged rejection and it fell through.

The share price slumped.

And it took a full 11 years to regain the level of the UDS bid.

So if there's a lesson to be learned from history it is this: Accept the Burton bid now.

*The price is based on the official middle market price of 222p as adjusted for the recent scrip issue.

With Halpern and Conran there will be life after Debenhams.

UK COMPANY NEWS

NatWest's 20% rise to £354m disappoints the City

National Westminster Bank yesterday opened 1985's banking season with a 20 per cent rise in interim profits but this disappointed the City which had been looking for something in the region of 36 per cent.

The announcement — taxable profits rose from £285m to £354m — brought about some heavy initial share markdowns for both NatWest and the other three main clearers, Barclays, Midland and Lloyds.

NatWest's shares fell to 648p before pulling back to 665p, down 25p, at the close while the other three banks finished the day showing small falls.

A large part of the shortfall on market estimates was due to the impact of exchange rate differences, said NatWest, pointing out that if the group had worked on December exchange rates then profits would have been £31m higher.

Despite the market's disappointment, Mr Philip Wilkinson, the chief executive, sounded an optimistic note for second half prospects. "The general outlook for the rest of the year looks quite encouraging. So prospects for sound business growth at home and abroad during 1985 still look favourable," he said.

The interim dividend is being raised to 10p, against an adjusted 9.3p.

His confidence was derived from the probability of further gradual declines in UK interest rates and fairly stable rates in the U.S.

Average base rate was almost four percentage points higher during the six months to end-June compared with the same period last year. "But with those levels of interest rates during the half year, we also saw higher cost of funds and narrower margins," said Lord Boardman, the chairman.

However, he stressed that despite this, NatWest achieved a 7 per cent rise to £891m in net interest income. Commission was up 12 per cent to £84m and overall income increased by 10 per cent to £1.45bn.

Bad debt provisions, which have risen sharply for the big four clearers over recent years, showed a decline of 6 per cent to £181m, mainly reflecting a £5m fall to £85m in the domestic account and a £3m fall in the general account.

"There are some encouraging signs in the lower charge for domestic specific provisions, but overall we maintain our cautious view of trading and world conditions," the chairman said.

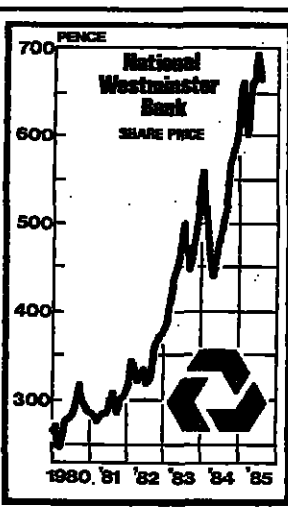
He reiterated that "as a result of our past lending policy group outstandings to countries experiencing liquidity problems are much less than most of our major competitors."

The cumulative provision for the group at 30.6m represents 2.2 per cent of all amounts due from customers. This compares with 2.1 per cent at the end of 1984.

NatWest's three operating divisions all earned higher



Mr Philip Wilkinson, the chief executive



profits for the first half of 1985, while domestic banking achieved a £16m increase to £199m its share of total profits fell from 62 per cent to 56 per cent; international banking notched up a £30m rise to £105m while related banking services rose by £4m to £46m.

Competition, tighter margins and higher cost of funds were offset by good cost control throughout the half-year. Current account balances in the parent bank have grown by 7 per cent when compared with the corresponding period last year but the trend towards interest bearing deposits has continued.

High interest special reserve accounts had been particularly successful, he said, with balances now standing at more than £1bn.

And international banking has seen "steady growth in commitments to our key, target commercial customers."

National Westminster USA continued its strong performance with after-tax income for the half-year of \$27m, an increase of 69 per cent over the first half of 1984.

Related Banking Services' increased profits included a good performance from the Lombard Group.

In UK retail banking, Mr Wilkinson said that NatWest was moving ahead in a number of areas and was successfully confronting competitive challenges in Saturday banking, home loans business and in the small business sector.

"For the larger corporate customers in the UK, we are pushing ahead with the creation of 150 specialist corporate branches in the major business centres around the country."

NatWest is continuing to invest in technology to increase efficiency, develop new services and prepare for electronic funds transfer at the point of sale.

On Monday the bank announced phase two of its national communications network. "This major £60m investment will give us one of the biggest private telecommunications networks in Britain," he said yesterday and added "technology and worldwide communications will also play a big part in our overseas expansion."

In Australia, plans are at an advanced stage to set up corporate banking and merchant banking operations to complement existing financial business.

Last week, NatWest formally signed an agreement to form a new joint venture bank in Spain under the name of Banco NatWest March.

NatWest's shareholders funds at June 30 stood at £2.75bn, against £2.65bn six months previous. The group gearing ratio — free capital to public liabilities — at June 30 was 4.8 per cent.

Lord Boardman stressed that the balance sheet does not yet reflect "our recent successful capital issues. That is the \$1bn primary capital floating rate note issue announced in May and the \$1.5bn 300m bond issue announced in June. Taking this new capital into account, the adjusted end June 1985 gearing ratio is more than 6 per cent."

He added: "Our capital position provides the means for expansion in a number of strategically important areas for the Group."

Since the end of December there has been a reduction of around 21bn in total assets expressed in sterling terms. "Exchange rate movements particularly, of course, sterling against the U.S. dollar, have had a considerable impact. Without this the balance sheet would have shown a well controlled growth of around 4 per cent."

See Lex

Hanson agrees £65m sale of U.S. offshoot

BY ANDREW ARENDS

Hanson Trust, has agreed the £65m (£65m) sale of Interstate United Corporation, its U.S.-based food service management group, to Transworld Corporation, the hotels and food services company from which Trans World Airlines was spun off last year.

Sir Gordon White, chairman of Hanson Industries, the group's U.S. subsidiary, said yesterday that the proceeds of the sale "will add to our already substantial cash resources available for other developments, including new acquisitions."

Earlier this month Hanson Trust completed a controversial £519m rights issue, the largest ever by a UK company wholly in the private sector. Lord Hanson, the group's chairman, said, recently that his ideal target would be a broadly based U.S. group, similar to U.S. Industries, which it purchased last year.

In his year ended September 1984 Interstate made pre-tax profits of \$10.7m (£7.5m) on turnover of \$395.8m (£278m). It has net assets of \$30m (£21m). When Hanson Trust first entered the U.S. in 1977, Sir Gordon added, it was making pre-tax profits of around \$2.5m (£1.75m) on a slightly lower turnover.

He said that the food service industry in the U.S. was

becoming a highly competitive market and it had been a case of Hanson either getting bigger or getting out altogether, and it had chosen the latter.

Hanson, he said, was looking at two or three U.S. companies at the moment, more broadly in line with its ideal takeover target.

Completion of the sale is conditional on the deal satisfying U.S. regulatory requirements. Yesterday Hanson Trust shares closed 3p higher at 193p.

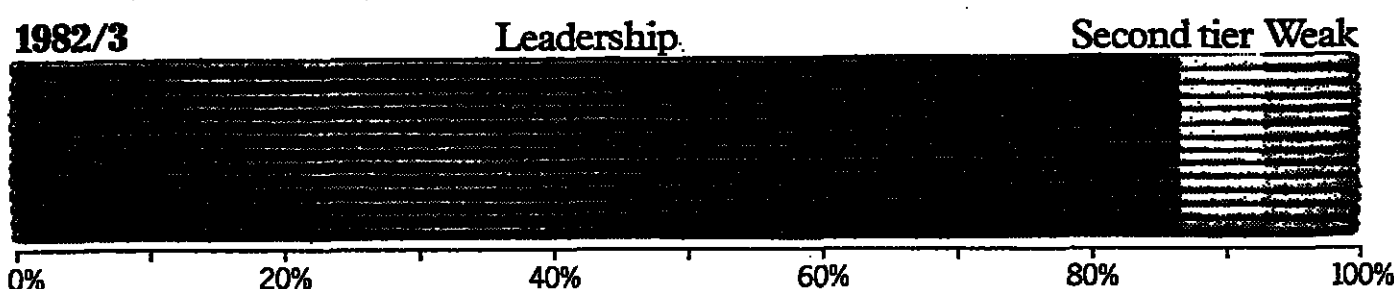
Ocean Wilsons

Ocean Wilsons (Holdings), investment holding company, has lifted its pre-tax profits by 73 per cent, from £2.72m to £4.72m for 1984, with a strong second half adding £3.3m.

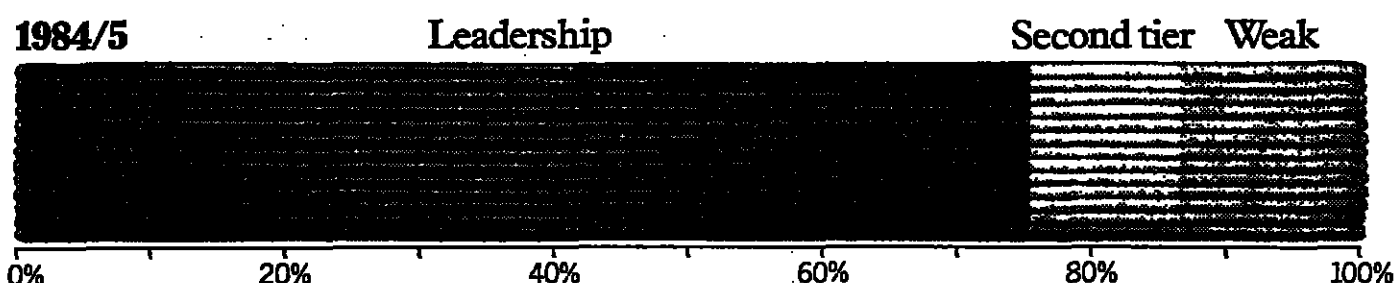
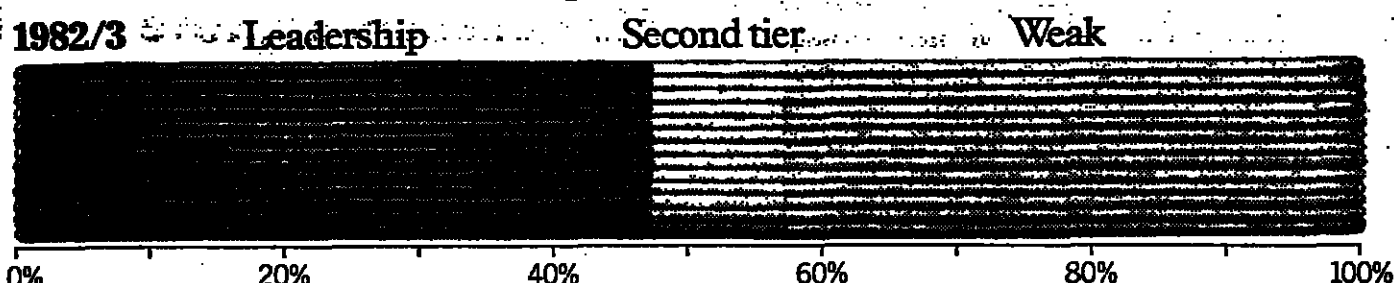
Practically all of the company's turnover of £47.64m (£37.44m) arises in Brazil, where the group owns 39 tugs. Its net asset value per 20p share stood at \$3.55p at end-December compared with 69.54p a year earlier. The directors are recommending an unchanged 2.2p final dividend to maintain the total for the year at 2.95p. Stated net earnings are more than doubled to 8.03p (3.66p).

Service history

Profits before tax



Capital employed



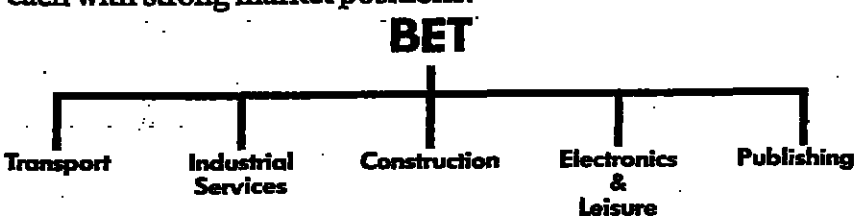
As the bars graphically illustrate, two years ago over 40% of BET's capital was invested in companies with weak market positions generating less than 10% of our profits. This compared with 87% of profits produced by those companies with market leadership which used less than 50% of shareholders' money.

The key to establishing and maintaining good margins, we believed, was to achieve a greater market share in our chosen sectors. The fact that we have done so with remarkable success can be seen from the third bar, showing 75% of our capital now employed in companies with market leadership. And it's from this position that profits have started growing.

We set about achieving this stronger company profile with a carefully planned three-stage strategy:

1. We sold interests that didn't fit in, or had weak market share and poor growth potential. We sold our North Sea oil interests, general investments and other companies not in our main market areas. So we sold Rediffusion's TV and VCR rental business due to its continuing decline in favour of TV and VCR purchase. And we sold Canadian Motorways which, in common with a number of smaller companies, had weak market share and low growth potential: altogether we sold 13 operations for a total of £236 million in the two years up to March 1985.

2. We reorganised all the companies into five clearly defined sectors. Ownership and management structures have been successfully rationalised into the following business sectors, each with strong market positions:



We have also bought out minority holdings in primary companies so that they are now wholly owned by us, and have created a more even balance of profits.

3. We bought companies that were strategically important to our core businesses. We spent £390 million on acquiring 15 companies with high growth potential, nine of which were in the USA to give us a more even geographical as well as business split. Many of the acquisitions were of small companies but all of them were complementary to our core businesses and increased our market shares and growth prospects.

The most recent and important acquisition, Initial, has enabled us to merge it with Advance and so enjoy cost savings while fighting back against alternatives to cabinet towels and creating a really strong competitor in several fast growing cleaning market sectors.

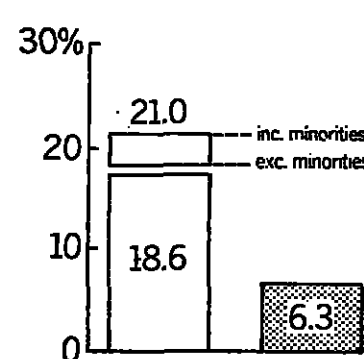
BET

putting experience to good service

The success of these deals is seen in figures like these. The two charts below reveal that we have been acquiring successful companies and selling those which had no leadership potential.

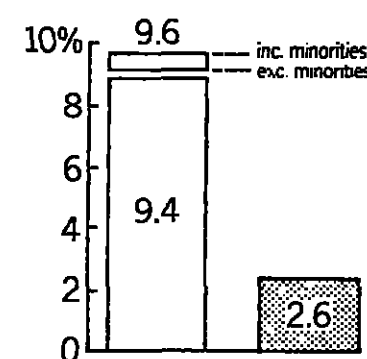
Acquisitions and divestments

Return on capital employed



□ Acquisitions

Return on sales



■ Divestments

Now BET is organised for growth.

All this should answer the criticisms that led one newspaper to describe our restructuring as "a bewildering array of acquisitions and disposals with no apparent direction." Nothing could be further from the truth.

We haven't only succeeded in buying the right companies at the right price, we've achieved a greater degree of market leadership right across the board. Now we're putting all our efforts into doing what we're best at, and making our money work harder.

We are now truly organised for growth and we confidently look forward to improvements where it really matters — in long term earnings growth.

For a copy of our annual report & 1984/85 results, write to Neil Ryder, BET PLC, Stratton House, Piccadilly, London W1X 6AS.

137% Notes Due August 18, 1987

Payments will be made at any of the following paying agencies listed below:

IBM CREDIT OVERSEAS N.V.
By: **THE CHASE MANHATTAN BANK, N.A.**
as Fiscal and Paying Agent

Dated: July 17, 1985

KUWATTI DINARS 10,000,000
81¼% Notes due 15th June, 1985/90

12	to	23
39	to	50
55	to	65
71	to	72
95	to	157
258	to	347
525	to	1624
667	to	1690
696	to	1715
833	to	1858
941	to	2000

KD1,200,000 Principal amount of the Notes remain outstanding after 15th June, 1985.

الشركة الكويتية للتجارة والمعاملات والاستثمارات الخارجية (ش.م.م.)
Kuwait Foreign Trading Contracting & Investment Co. (KFTCIC)

**Kirwaat Foreign Trading Contracting
& Investment Co. (S.A.K.)**

Omar Bin Al Khattab Street, P.O. Box 5665, Safat,
Kuwait City KUWAIT.

Finance costs cut Gallaher to £54m

He adds that the trading results for the non-tobacco sector were up by 28 per cent from £16.8m to £20.7m. In this the houseware division saw results improve to £3.5m from £500,000.

New Court down at £1.6m but sees rise in Avant production

will vary. Faced with rising raw materials and high operating costs, sustaining the 1984 result was going to be hard even with the assistance of a £1m exchange gain on translation. Avant is now

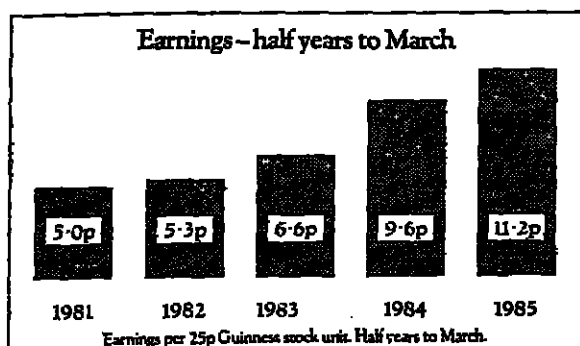
A MESSAGE FOR BELLS' SHAREHOLDERS.

WHY GUINNESS IS GOOD FOR YOU.

The story at Bells is somewhat more sobering.

GUINNESS AND BELLS APART

Profit growth for today, by continuous improvement in established businesses, International Beverages and Retailing.



Trading profits from Retailing and other non brewing activities rose to £6.7 million in

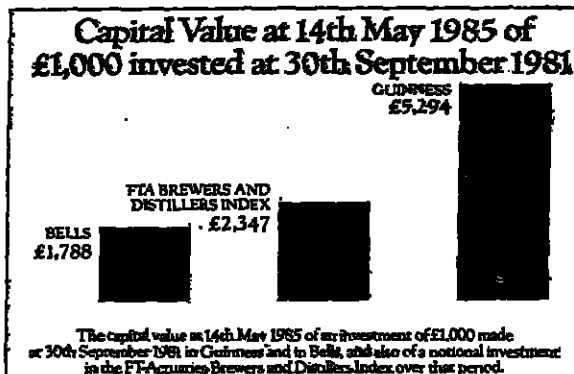
Bells has failed to make its promised inroads into the crucial U.S. market.

GUINNESS AND BELLS MIXED

Guinness has considerable regard for the Bells' brand and its distilling skills.

Indeed, Guinness' faith in the venture is clear by the guarantee given that there will be no redundancies as a result of Bells becoming a member of the Guinness Group, and the fact that Bells would continue to be managed in Perth.

Capital Value at 14th May 1985 of



You are being offered a substantial premium over this price and shares in an exciting enlarged group.

Consider what may happen to the value of your Bells' investment if you do not accept our offers.



GUINNESS PLC

DRAUGHT AND BOTTLED GUINNESS. HARP KALIBER. DRUMMONDS. MARTIN. THE NEWSAGENT. LAVALLS. TELEVEN STORES. CHAMPAGNES. AND STOBO. CASAR. HEALTH RESORTS. NATHAN'S REST. VITAMINS. GUINNESS PUBLISHING.

Bells has lost its way. Guinness is good for Bells.

This advertisement is published by Morgan Grenfell & Co. Limited and Noble Grossars Limited on behalf of Guinness PLC. The Directors of Guinness PLC are the persons responsible for the information contained in this advertisement. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this advertisement is in accordance with the facts. The Directors of Guinness PLC accept responsibility accordingly.

MANUFACTURERS HANOVER LIMITED
Fiscal and Principal Paying Agent

31st July, 1985

This announcement appears as a matter of record only.

BELLWINCH LIMITED

A new company, formed by its management, has acquired the following housebuilding companies:
Roger Malcolm Limited, Ronking Services Limited
and George Webb Homes Limited

Finance totalling £7,250,000 has been subscribed or made available by the management and the following institutions to finance the acquisition

APA Venture Capital Fund and APA Ventures II
Causeway Development Capital Fund
Charterhouse Development Capital Limited
Charterhouse Development Limited
CIN Industrial Investments Limited
County Bank Development Capital Limited
Equity Capital for Industry
Fountain Development Capital Fund
Investors in Industry plc
Kleinwort Benson Development Capital Limited
Schroder Ventures
SUMIT

Banking facilities were provided by
Midland Bank plc

arranged by

CAUSEWAY CAPITAL LIMITED

28 June 1985

GALLAHER

HALF-YEAR REPORT

(unaudited)

Group turnover and trading profits in the first six months of 1985 were a record. Group profits after interest at £53.9 million were slightly down on last year as a result of higher interest rates and increased borrowings.

Both tobacco and non-tobacco operations progressed with trading results from the non-tobacco sector 23% ahead.

	six months ended	year ended	
	£ million	£ million	£ million
Group sales	1,494.1	1,355.1	2,839.1
Group trading profit	65.9	60.8	122.2
Interest charges	(12.0)	(5.4)	(14.0)
Group profit before taxation	53.9	55.4	108.2

Tobacco

Following a very strong first quarter helped by trade stocking prior to the Budget, the second quarter showed the expected sharp drop. Nevertheless, trading profits for the full six months were 3% ahead at £45.1 million. Export sales were well up as were results from overseas tobacco subsidiaries.

Optical

Sales moved ahead further in the second quarter to show a rise of 15% for the half year. Profits followed the anticipated dip in the short term, resulting from increased marketing expenditure in the UK.

Engineering

Profits showed an improving trend in the second quarter both in the UK and many export markets. However, in Africa results are still below last year.

Distribution

The good start seen in the first quarter continued and half year profits were 40% ahead, helped by excellent results from Fortbuys.

Office Products

Second quarter profits were 20% ahead of last year and more than offset the slow start to the year. Exports have been particularly buoyant and the overall trend is encouraging.

Housewares

Prestige has made steady progress helped by good export sales. Conversion of overseas profits has been affected by the stronger pound.

S. G. CAMERON,
Chairman

Gallaher Limited, 65 Kingsway, London WC2B 6TG. Tel: 01-242 1290. Telex: 25505.

July 1985

This announcement appears as a matter of record only.



BOND CORPORATION HOLDINGS LIMITED

PERTH, WESTERN AUSTRALIA

Rights issue of
58,035,425 New Ordinary Shares
at A\$1.00 per share to raise A\$58 million

Underwritten by:

Morgan Grenfell
AUSTRALIA SECURITIES PTY. LIMITED

UK COMPANY NEWS

CCA Galleries joining USM

By Lucy Kellaway

CCA Galleries, formerly Christie's Contemporary Art, is joining the USM with a market capitalisation of £3.3m.

De Zoete and Bevan are placing 1.4m shares representing 5% per cent of the company at 80p each. Of these Christie's International, the fine art auctioneers, will be selling 432,000 shares to reduce its holding from 55 per cent to 35 per cent. CCA's directors are selling a further 280,000 shares, and the remaining 720,000 will be raising £420,000 for the company.

CCA commissions and deals in limited editions of signed prints. The company was started 13 years ago to sell prints through mail order.

It quickly expanded into retail and wholesale, and has galleries in London, New York and Tokyo and sells through dealers worldwide. Last year overseas sales made up 46 per cent of the group total. About half of turnover comes from commissioned work from relatively unknown artists, whose prints range in price from £20 to £100, and the other half from masterprints.

Turnover and profits have increased in each of the past 13 years with the exception of 1982 when the group chose a year of slump in the U.S. art market to open a gallery there. The directors forecast profits this year will not be less than £410,000 (£383,000).

At the placing price the shares are on a p/e of 15 after a 40 per cent tax charge. Assuming an annual dividend of 2.35p the yield is 4.3 per cent.

Dealings start on August 5.

British Alcan is pessimistic after 13% drop midway

PROFITS OF British Alcan Aluminium dropped 13 per cent in the first half of 1985 to £22.9m before tax.

The leading British integrated aluminium producer blamed higher operating costs and lower selling prices on some products for the decline, which brought an end to a strong recovery by the firm from heavy losses in 1981 and 1982.

British Alcan, which is wholly owned by the Canadian aluminium group, also said that it did not foresee much, if any, improvement for the rest of the year.

Turnover was flat at £321.9m (£322.2m) and the company said that demand had been maintained at a volume similar to that of 1984. But lower prices, particularly on rolled product and ingot sales, and rising wage and energy costs had hurt profits.

To some extent, the energy cost increases were exceptional. In the early part of the year, the group's power station in Northumberland was closed because of the miners' strike, obliging it to buy power from the Central Electricity Generating Board.

Operating profit was down 12 per cent to £33.7m. The group repaid £17m of its £134.6m long-term debt in the first half plus £4m of £50m subordinated debt from its parent company. But interest charges fell by only £0.8m to £10.8m, reflecting higher rates than in the same period last year.

The group has also begun the £2m half-yearly instalments towards reimbursement of the £11.8m in preference shares.

Attributable profit in the first half was £20.8m compared with £24.8m in the first half of 1984.

Control Techniques share placing via institutions

BY STEFAN WAGSTYL

Control Techniques, a manufacturer of electronic drives for controlling electric motors, is the latest new issue to brave the stock market's current antipathy towards high technology groups.

The company is coming to the stock market by placing some of its shares with institutions after rejecting the alternative route of a public offer for sale, which might have put a higher value on the group.

Mr Trevor Wheatley, chairman, said the company had opted for a placing because of the turmoil in the stock market, particularly in the high technology sector.

Broker Rowe and Pitman has placed 2.52m shares in the company, or 25.2 per cent of the equity as enlarged by the issue. Just over 1m of the shares sold to raise £1.43m to strengthen the group's capital and to help expansion, particularly in export markets.

The group will remain firmly under the control of Mr Wheatley and two fellow directors, Mr Ken Briggs and Mr Kevin Curran, who together founded Control Techniques in 1973. The three would speak for nearly 60 per cent of the equity.

The company, based in New-

port, Powys, in South Wales, makes electronic variable speed drives for controlling electric motors in a wide range of industrial processes, from steelmaking to textiles. The drives have power ratings ranging from 0.55kw to 1,000 kw.

The group's profits have grown from £59,000 pre-tax on turnover of £1m in 1980, to £288,000 pre-tax on turnover of £3.7m in the year to September 1984.

Growth has been particularly rapid in the last two years, with margins improving as the company's sales increased. In the current year, Control Techniques made £356,000 pre-tax in the first six months on turnover of £2.657m and is forecasting not less than £1m for the year to September, or earnings per share of 8.21p on a 28 per cent tax charge.

At the placing price of 115p, the shares are valued at 14 times forecast earnings.

The group is also forecasting a 1.8p dividend for the year. The directors indicate that had the company been listed throughout the year, the dividend would have been 2.7p, giving a yield at the placing price of 3.35 per cent.

Aaronson over £2m at halfway and confident for year

FOR THE half year to end March 1985 Aaronson Bros, chipboard manufacturer, has lifted pre-tax profits by 15 per cent from £1.84m to £2.12m, and the directors are confident of the group's future progress.

They are paying an unchanged 1.2p interim dividend on capital increased by the one-for-four rights issue in April. Net earnings per 10p share are shown ahead from 5.08p to 5.19p.

Turnover, excluding its subsidiary Union Venetians which was reorganised in April 1985, increased by over 10 per cent, and the directors add that it has continued to improve.

The current high interest rates and the strength of sterling especially against European currencies, is affecting profitability, although the second half will benefit from the rights issue. Tax increased from £402,000 to £360,000, and minorities took £8,000 (credit £2,000). There was a £264,000 (£269,000) extraordinary charge arising from the reorganisation of Union Venetians.

comment

A 15 per cent increase in profit

was exactly what the City had been expecting from Aaronson. Margins edged up during the first half partly as a result of efforts to enhance efficiency, but also due to last year's small increase in prices. For the rest of this year everything depends on the strength of sterling, which determines how competitive are the European chipboard imports with which Aaronson competes. If the pound maintains its new found strength, £4.4m would be a reasonable guess for the full year. The tax rate, at about 28 per cent, will be higher than last year, and as the company comes to the end of its huge capital expenditure project. Meanwhile, the rights issue has brought group borrowings down to a more manageable £8.5m, and the extension to the existing product range should start boosting sales by the end of this year. A prospective p/e ratio of about 8.5 makes the shares down 7p to 86p look like a good long term bet for anyone who feels that sterling is not at the bottom of a steep decline.

Base Rate Change

BANK OF BARODA

Bank of Baroda announce that, for balances in their books on and after 31st July, 1985 and until further notice their Base Rate for lending is 11½ per annum.

COMPANY NEWS IN BRIEF

HIGHGATE & JOE Group, marine and animal oil refiner and protein meal producer, made a taxable profit of £79,000, against £24,000, for the year to end-March 1985. Turnover was down from £6.43m to £5.14m. There is still no dividend.

ADAMS AND GIBSON'S board says it has noted the announcement of the unsolicited offer by BSG International. The board of A & G is consulting with its advisors, and will inform shareholders of its detailed views as it due course. The board also notes that the cash alternative for each A & G ordinary share is only 10p more than the Keep Trust unsuccessful offer which lapsed in June. In the meantime, shareholders are advised to take no action.

COSALIT, the Grimsby-based ships chandlery to caravan group has announced that it has acquired the goodwill and stock of Oddy Hydraulics. The business of Oddy has, to date, been in the field of manufacturing hydraulic sensors and related hydraulic design services to such organisations as the NCB, CECB, and to the gas, chemical and oil industries. Together, a number of public utilities. The existing directors and staff are joining Cosalit and will continue to provide the services of the company to existing customers.

GKN is considering selling Ionic Plating Co to its management. Ionic will not now be included in the sale of certain GKN subsidiaries to F. H. Tomkins as previously announced, included in the sale of certain GKN subsidiaries to F. H. Tomkins as previously announced.

THE interest rate for this weeks issue of local authority bonds is 10½ per cent, down 1 of a percentage point from last week and compares with 12 per cent a year ago. The bonds are issued at par and are redeemable on August 6 1986.

STAVART ZIGOMALA, furniture wholesaler and investment company, reports net profits of £34,774, against £34,739, for the year to end-March 1985. The result was struck after depreciation and amounts written-off of £7,088 (£4,734) and tax of £14,447 (£12,749). The single final dividend is being raised to 8.12p (7.38p).

TEMPLE BAR Investment Trust's net asset value per 25p share stood at 143.88p at the end of the six months to June 30, 1985. This compares with 136.82p six months previous. Profitable profits for the period rose from £1.77m to £2.02m. The interim dividend is being raised to 2p (1.68p) to reduce disparity.

BBA's agreed offer for Synterials has become unconditional as to acceptances.

LADBROKE INDEX
932-937 (+6)
Based on FT Index
Tel: 01-427 4411

Hungarotex Foreign Trading Co.

NOK 200,000,000

Fixed rate term loan 1985 - 92

Guaranteed by

National Bank of Hungary
(Magyar Nemzeti Bank)

Arranged by
Union Bank of Norway

Provided by

Union Bank of Norway
Sparebanken Rogaland
Sparebanken Nord
Gudbrandsdal Sparebank
Sparebanken Vest
Sparebanken Vestfold
Tromsø Sparebank

Sparebanken Midt-Norge
Eiker Sparebank
Sparebanken Møre
Sandefjordbanken
Sparebanken Fredrikstad
Sparebanken Inn-Trøndelag
Sparekillingbanken Trøndelag

Agent

Union Bank of Norway

Domestic name: Fellestanken AS

This Advertisement is issued in accordance with the requirements of the Council of The Stock Exchange. Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the entire share capital of CCA Galleries plc, issued and to be issued, in the United Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing. A proportion of the shares being placed is available to the public through the market during market hours today.

CCA Galleries plc

(Incorporated in England under the Companies Acts 1948 to 1967 - No. 1073059)

Placing by

de Zoete & Bevan

of 1,442,000 Ordinary shares of 10p each at 80p per share

Authorised

SHARE CAPITAL

Issued and to be

£549,000

Ordinary shares of 10p each

£412,000

The principal activities of CCA Galleries plc and its subsidiary are publishing and dealing in limited editions of signed original prints and sculpture by 20th century artists in the United Kingdom and overseas.

Particulars of CCA Galleries plc are available in the External Unlisted Securities Market Service and copies of such particulars may be obtained during usual business hours on any weekday (Saturdays excepted) up to and including 15th August, 1985, from—

CCA Galleries plc,
8 Dover Street,
London W1X 3PJ

de Zoete & Bevan,
25 Finsbury Circus,
London, EC2M 7EE

FT COMMERCIAL LAW REPORT

Charterers not liable for delay at sea-line, says Appeal Court

THE NOTES

Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Parker and Lord Justice Balcombe): July 29, 1985

WHERE A charterparty provides that the charterer shall order the vessel to a sea-line for delivery of cargo, but that he shall not be liable for delay for any cause whatsoever over which he has no control, his failure to order her to the only sea-line at part of discharge does not deprive him of protection from liability for delay if the vessel is prevented by swell from getting into or remaining in berth.

The Court of Appeal so held when dismissing an appeal by Maritime Corporation of Romania, owners of the *Notes*, from Mr Justice Leggatt's decision on an appeal from arbitrators, that the charterers, Societate Anonima Maritima de Transporturi, were not liable for delay in discharging cargo.

Before the arbitrators demurrage was claimed by the owners for three periods of delay, A, B and C. They awarded that the charterers were not liable for demurrage for period A, that they were liable for full demurrage for period B, and that they were liable for half demurrage for period C.

Mr Justice Leggatt upheld the award for periods A and B, but held there was no liability at all for period C. The present appeal was from the arbitrators' decision relating to periods A and C.

Clause 1(b) of the STB VOY form of charterparty provided: "The vessel shall ... load a cargo ... and shall then proceed to a sea-line as ordered by charterer in one or more ports or places specified ... and there deliver cargo."

Clause 6: "Upon arrival ... the Master shall give the charterers notice ... that the vessel is ready to discharge ... and laytime or ... time on demurrage shall commence upon the expiration of six hours after receipt of such notice ... How, ever, where delay is caused by swell getting into berth after giving notice of readiness for any reason whatsoever over which charterer has no control such delay shall not count as laytime or as time on demurrage."

Clause 8: "Charterer shall pay demurrage per running hour ...

If however demurrage shall be incurred at ports of ... discharge or delays by reason of ... storm or ... lockout ... such demurrage shall be calculated at one-half rate specified ... Laytime shall not run or ... demurrage shall not accrue for any delay caused by strike, lockout ... or any other cause of whatsoever nature or kind over which the charterer has no control."

SIR JOHN DONALDSON, Master of the Rolls, said that a dispute arose between owners and charterers of the *Notes* concerning the latter's liability to demurrage consequent on delay in discharging a cargo of crude oil at Mohammadia in 1982.

The charter was in the STB VOY form and named the discharge port as "one safe sea-line".

The dispute concerned three periods of delay—A, B and C. The present appeal was concerned with periods A and C. Period A began six hours after the giving of notice of readiness to discharge. At that time the well was such that no vessel could use the only submarine line or "sea-line".

The Al Idrissi, which had been using the sea-line until 48 hours earlier, was at anchor awaiting weather conditions which would permit her to return to it. That happened at the end of the period. Throughout the period the *Notes* was at anchor awaiting weather for half demurrage for period C.

Mr Phillips, for the owners, submitted that the charterers could not rely on the last sentence of clause 6 of the charterparty in answer to a claim that laytime ran or demurrage accrued throughout the period for three reasons:

(1) The clause only applied to events which prevented a vessel getting into berth after the charterer had fulfilled his contractual obligations to nominate a discharging sea-line.

There was no evidence that the charterers in the present case ever made such a nomination.

The submission was not accepted. The basis of the argument was the House of Lords decision in the *Laura Prima* (1983) 1 Lloyd's Rep. 1, 6 where Lord Roskill said that "berth" in the last sentence of clause 6 meant the berth designated and procured by charterers pursuant to clause 8.

Although clause 6 in the *Notes* charter was almost identical to clause 6 in the *Laura Prima* charter, clause 9 in the latter was materially different from any *Notes* clause, and in particular from clause 1(b).

In the *Notes* charter the obligation was to nominate a discharging line upon or before the vessel's arrival (clause 1(b)). In the *Laura Prima* charter the obligation was to designate and procure a berth "reachable on arrival".

Although the *Laura Prima* charterers did nominate and procure a berth, it was not reachable on arrival.

Charterparties were commercial contracts and fell to be construed as such. The obligation under clause 1(b) to nominate a "submarine line" was otiose or fulfilled where the vessel was required to go to a port which only had one such line.

Even if failure to take the unnecessary step of nominating was a breach of 1(b), "berth" in the last sentence of clause 6 could only refer to that sea-line which was "reachable on arrival".

The *Laura Prima* decision was distinguishable because there was no "berth" within the meaning of that sentence. Although there was a contract of berth, none was "reachable on arrival".

(2) The well could not be said to have delayed the vessel from getting into berth since, in the absence of swell, the sea-line would have been occupied by the Al Idrissi.

That submission would be accepted so far as it went, but it did not go very far. The Al Idrissi needed 8 hours on the sea-line to complete discharge, and to that extent *Notes* was delayed by congestion. But Al Idrissi went back to the sea-line in period B and while there was demurrage accrued.

(3) As the charterers had chosen to own and control a sea-line which was naturally subject to swell, the effects of that swell were not beyond their control. That argument was rejected. If the sea-line was "one safe sea-line" the charterers were entitled to require the vessel to discharge there and, since they could not control the effects of the swell, clause 6 applied.

Mr Justice Leggatt was right to hold that no demurrage was payable in respect of period A. Period C was a period during which the *Notes* had to leave the sea-line because of the swell and the charterers relied on clause 8. Mr Phillips's argument that the charterers were not entitled to

claim that the effects of the swell were beyond their control, in that they owned the sea-line, was again rejected.

His second argument was based on the very curious nature of the second and third sentences of clause 8.

The second sentence enumerated a series of perils which could create delay in loading or discharging and provided that if they did and if the vessel was on demurrage, demurrage should be calculated at half rate.

None of those perils was expressly made subject to a condition that their occurrence should be something over which the charterers had no control.

"Storm" must be in that category, and "lock out" in or about the plant of the charterers could almost never be.

The third sentence by contrast, applied both to lay-time and demurrage, and provided that time should stop for either purpose during delay caused by strike, lockout ... or any other cause of whatsoever nature ... over which the charterer has no control.

Mr Phillips submitted it would be absurd if a storm could create a half-rate demurrage situation, whereas the lesser peril of swell suspended all demurrage. He said the third sentence should be construed as referring only to delay caused by failures on the part of the vessel.

While it was accepted that, so far as possible, the clause must be given a sensible construction, the suggested restricted construction was impossible in the presence of "whatsoever nature or kind".

Delay by storm would always fall within the word sentence, and its inclusion in the second sentence was merely another example of the shipping community's regrettable habit of adding sentences to charters without considering cost. Any modification should be made to the rest of the charter.

Clause 8 applied and no demurrage accrued. The appeal should be dismissed.

Lord Justice Parker and Lord Justice Balcombe agreed.

For the owners: Nicholas Phillips QC and Stephen Tomlinson (Knocher & Fossett, Sevenoaks).

For the charterers: Anthony Clarke QC and Stephen Tomlinson (Knocher & Fossett, Sevenoaks).

By Rachel Davies Barrister

NOTICE TO HOLDERS OF UNITS IN THE KOREA TRUST

NOTICE IS HEREBY GIVEN that the Manager for the subject Trust, Dashi Investment Trust Co., has confirmed that the final distribution of income made on and after July 26, 1985, is as follows:

Unit holders may now present Coupon No. 4 to the paying agent listed below. Value of the distribution is 1000 SDR per unit which will be paid in U.S. dollars at the current dollar selling rate quoted by the Korea Exchange Bank on the day that remittance of dividends is made to the United States.

15%—Australia, Bangladesh, Belgium, Denmark, Finland, France, Malaysia, Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, United Kingdom, West Germany.

12%—Japan.

The valid affidavit required by the Korean Tax authorities must take the form of a copy of a passport, I.D. Card, Certificate of Incorporation, or Certificate of Residence issued by Federal or Local Government. An amended affidavit form C as used for the U.K. tax authorities is not acceptable.

Residents of Belgium and the Netherlands should surrender two original copies of affidavit of residence issued by their tax authorities under the current tax treaties between them and Korea.

Paying Agents: Main office of Citibank, N.A., in Brussels, Hong Kong, London, Tokyo and Zurich and Citibank (Luxembourg) S.A., in Luxembourg.

CITIBANK, N.A. London Principal Paying Agent

July 31, 1985

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Alley Unit Trust, Manager: G.O. 01-22-1177

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

Brown Shipley & Co. Ltd. (0045)

[illegible]

[illegible]

COMMODITIES AND AGRICULTURE

India cuts minimum tea price

By P. C. MAHANTI IN CALCUTTA

THE INDIAN Government yesterday bowed to intense pressure from the country's tea industry and cut its minimum export price for tea, following the recent collapse in world prices.

The minimum for South Indian tea is reduced to Rs 18 kg, and that for the North Indian variety to Rs 22. Both were previously set at Rs 25, and the opening up of a differential between them reflects the fact that local auction prices in South India have dropped faster than those in the north.

The move, announced yesterday by the Commerce Ministry, will come as a considerable relief to exporters and planters, as the minimum export price has looked more and more out of line with world market reality. But for the moment at least, they may not be able to capitalise on it as much as they would like, owing to the continuing 200m kg ceiling on exports this year.

The fading of the recent world tea boom has left the industry in a state of flux, struggling to cope with mounting domestic surpluses and chafing at increasingly unpopular Government controls.

Last year, prices at the Lon-

don tea auctions hit record highs after India imposed a ban on exports of its main CTC (crush, tear, curl) variety, for the first time in the industry's history. Then in September, the Government decreed that overall tea exports in 1984 should be limited to 215m kg—which helped to keep world prices high for a while.

Only six months ago, the average London auction price stood at 277p per kilogram. Then came the crash; it is now barely half that level.

In the meantime, the prospect of a record Indian tea crop this year sent local auction prices tumbling—partly in reaction to the fall in the world market—and caused mounting distress for many growers, particularly in small tea gardens in the south of the country, for whom production is reported to be becoming uneconomic.

Tea auction prices have on average fallen by 10 to 15 per cent in northern India to an average of Rs 24 per kg against Rs 29 this time last year. In the south, the drop has been even more pronounced; the price is currently around Rs 20 per kg compared with last year's Rs 31.17.

India's production target for the whole of this year is 655m kg, compared with actual production of 655m in 1984. On the evidence of the first five months of this year, the industry is already on course to exceed that target by a considerable margin. Production between January and May totalled 165.72m kg, 11.46m kg above its level in the same period of 1984.

In fact, production has exceeded targets in every year since 1983—by 50m kg last year and 33m kg the year before. As a result, between 30m and 35m kg of tea was carried forward into this year as a surplus inventory.

Meanwhile, there has been hardly any relaxation in quantitative control on exports. This year's export ceiling is only 5m kg higher than the 1984 level. The export limit is officially explained by increasing consumption of tea within India. The Government has been keen to avert domestic shortages which would cause prices within the country to rise.

But domestic consumption last year fell short of the Government's expectations—it totalled only 400m kg as opposed to an anticipated 420m.

This year, according to some market surveys, it is unlikely to exceed 415m to 420m kg. That could mean there will be a substantial surplus of tea to be carried over into next season, too.

Hence the industry's concern. While the minimum export price remained at Rs 25, exporters complained that competitors like Sri Lanka and Bangladesh were making inroads into the market at much cheaper prices. The industry argues that demand for quality grades is holding up well in the world market. (The collapse in prices has been blamed by some producers on a glut of poor quality tea.)

In particular, new customers in Africa and Asia are said to be showing interest in Indian tea. For example, China has just concluded an agreement to import 1m kg of Indian tea, and could conceivably become a regular importer of Indian produce if supplies can be assured.

Before relaxing the limit on exports, however, the Government would probably prefer to wait until next September, when the final size of this year's crop will be known.

Coffee export quotas reduced

By Our Commodities Staff

A REDUCTION in International Coffee Organisation export quotas of 1m bags (60 kilos each) was triggered yesterday by the ICCO's 15-day moving average price fell below 120 cents a pound.

The global quota was cut to 58m bags from 59m, its second reduction this quarter. The ICCO's 15-day average stood at 119.72 cents, and looks likely to continue falling as the daily price was quoted at 118.30 cents.

The London futures market shrugged off the move, which was expected, but rose 27 to 220 on the day on continuing uncertainty over the effects of the Uganda coffee strike. The ICCO has now exhausted its armoury of automatic weapons against the slide in coffee prices until the end of September. Any further reduction in quotas would have to be agreed by a special meeting of the Organisation's executive board.

WEEKLY METALS
All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.5 per cent, \$ per tonne, 2,760-2,825.
BISMUTH: European free market, 99.99 per cent, \$ per lb, 100-110.

CADMIUM: European free market, 99.99 per cent, \$ per lb, 100-110.
COPPER: European free market, 99.5 per cent, \$ per lb, 100-110.

COBALT: European free market, 99.5 per cent, \$ per lb, 100-110.
COBALT: European free market, 99.5 per cent, \$ per lb, 100-110.

MOLEBYDENUM: European free market, 99.99 per cent, \$ per lb, 100-110.
TUNGSTEN ORE: European free market, standard min 65 per cent, \$ per tonne unit 60, c.i.f. 63-69.

SELENIUM: European free market, 99.5 per cent, \$ per lb, 100-110.
SELENIUM: European free market, 99.5 per cent, \$ per lb, 100-110.

URANIUM: European free market, 99.99 per cent, \$ per lb, 100-110.
URANIUM: European free market, 99.99 per cent, \$ per lb, 100-110.

EEC row brews as Spanish subsidies hit barley exports

By JOHN BUCKLEY

ANOTHER ROW is brewing between the European Commission and the grain trade, this time over Brussels' attitude towards barley export subsidies.

As the conflict flares, Britain risks losing an important share of its valuable export trade in the Middle East to cut-price Spanish competition, shippers say. The result could be a deluge of offers of grain into intervention and further budgetary strains.

The duel between the Commission and multi-national shippers is nothing new. It revolves around the Commission's efforts to secure the lowest bids from exporters in order to bring high EEC prices down to world levels. Frequently, however, there is sharp disagreement between the two parties over what that world level is.

Events of the past week have focused attention on the problem. The revelation that Spain is unloading its large barley surplus onto the world market with extraordinarily large subsidies. Often a big importer, Spain has had great success with tonnage subsidies to cut prices and is now believed to have at least 300,000 tonnes for August/September shipment. Many sources expect this trade to in-

crease to 600,000 tonnes by September and possibly to as much as 800,000 provided internal transport can cope with the logistics of running record loads to port areas. If that were not enough it is believed another 1.5m tonnes of barley may be available for export later, enough to push the EEC out of the market until October or November.

The implications for UK barley exporters are ominous, traders say. In the season now closing Britain managed to overcome an embarrassing 4.4m tonnes of barley surplus by exporting 3.6m tonnes thanks to heavy demand from Saudi Arabia, other parts of the Middle East and the Soviet Union. This was also helped by early appreciation in Brussels of the need to ship as much as possible at the start of the season when EEC prices are lower.

This season the world market is tipping back firmly to surplus, and Spain has decided to waste no time in offloading its supplies before its competitors, using an appetising \$5/65 per tonne subsidy to cut prices as low as \$87 per tonne fob. Add to this Spain's freight advantage of some \$3 to \$3 and it is small wonder that sales

are booming in the lucrative Saudi/Mediterranean markets which looked so secure for Britain just a few weeks ago.

"In order to compete we would have to sell barley at \$85," says one shipper, who notes Brussels' last week reduced exporter bids to ship 130,000 tonnes but through inadequate subsidy secured sales of a "paltry" 25,000 tonnes. "So far this season the Commission's export licences total only 80,000 tonnes for both wheat and barley against 1.8m at this time last year."

Canada, too, has sold cut-price barley, with a big increase expected in its own crop. About 100/150,000 tonnes have been booked out of Churchill port at prices which work back to a shipped value of \$90.

Multinationals are now seeking renegotiation of some contracts so as to switch the EEC sales to Spanish origin if the Commission will not budge with higher subsidies. The Australians are also expecting another bumper barley crop and have indicated prices of \$2.50 per tonne with forward discounts from December onward. Even new crop maize from the U.S. Gulf looks a good buy, says one importer.

Substantial rise forecast in aluminium market

By Our Commodities Editor

ALUMINIUM PRICES are set for a substantial improvement in the next two years as a result of rising consumption and depleting stocks, according to a report published yesterday by the Economist Intelligence Unit.

It says that although consumption is unlikely to grow as fast as in the 1980s and early 1980s, "aluminium has yet to reach maturity—that is to say, its use will continue to grow faster than industrial production in key markets such as the U.S."

The report comes against a background of depressed prices, despite the announcement of production cutbacks by several large primarily North American producers.

It concludes that by the end of May, the figure indicates that relatively little capacity had actually closed. But its author,

Mr Adrian Ham, former commercial director of British Alcan Commercial Extrusions, maintains that the cutbacks could begin to bite later this year.

"Producers are now paying the price for the very large and rapid increase in smelter operations in the 1980s and early 1980s—1984—from 80 per cent to 90 per cent—in response to attractive prices," it says.

Apparent consumption—including changes in consumer stocks—is forecast to rise by 1.6 per cent this year and 4.4 per cent next, while production is expected to fall by 5.9 per cent in 1985.

Aluminium to 1990: prospects for recovery by Adrian Ham, 120 from Economist Intelligence Unit, 40 Duke Street, London W1A 1DW.

Exchange to consider copper contract change

By Andrew Gowers

PLANS TO set up a new high-quality copper contract on the London Metal Exchange will be discussed by a special joint meeting of the market's board and management committee next Tuesday.

The new contract, known as "grade A copper," is part of a compromise proposal put forward this week by an LME working party set up to study the restructuring of the market's copper contracts.

The grade A contract (its name may be changed later) would allow for delivery of selected higher-grade cathodes and wirebars. The present higher-grade contract would be replaced by a new catch-all standard copper contract, which would take in all brands.

The idea of introducing a new contract comes in response to mounting pressure from industry, which claims that the present contract artificially depresses the price of high-quality cathodes.

There will probably be a price differential between the "grade A copper" and the standard contract, although under the working party's proposal this would not be fixed.

A member of the working party explained that the proposal fell short of producers' demands, and ran counter to some LME members' wishes. He also agreed that there could be liquidity problems in the specialised contract as proposed.

But he said the market was aware of the need to make up its mind quickly on the future of its copper contracts.

contract comes in response to mounting pressure from industry, which claims that the present contract artificially depresses the price of high-quality cathodes.

There will probably be a price differential between the "grade A copper" and the standard contract, although under the working party's proposal this would not be fixed.

A member of the working party explained that the proposal fell short of producers' demands, and ran counter to some LME members' wishes. He also agreed that there could be liquidity problems in the specialised contract as proposed.

But he said the market was aware of the need to make up its mind quickly on the future of its copper contracts.

LONDON MARKETS

CONTINUED HEAVY tendering of physical supplies against the expiring July cocoa futures position pushed the price down again on the London market. July contracts ended the day 238 down at £1,695.50 a tonne although forward positions were somewhat firmer following Monday's sharp falls.

September position finished 24 up at £1,665.50 a tonne and bigger gains were registered in more distant months. Dealers said the gains were influenced by scattered Continental demand.

Robusta coffee futures were also modestly higher with the September quotation gaining 25 to £1,540 a tonne. The market operated in a fairly narrow range with short covering halting any decline and profit taking appearing on rises.

MAIN PRICE CHANGES

July 30 + or - Month 1985

Metals
Aluminium: £1100 - £1100
Free Mkt: £1040 - £1040

Copper: £1080 - £1080
Free Mkt: £1040 - £1040

Gold: £1080 - £1080
Free Mkt: £1040 - £1040

Silver: £1080 - £1080
Free Mkt: £1040 - £1040

Platinum: £1080 - £1080
Free Mkt: £1040 - £1040

Palladium: £1080 - £1080
Free Mkt: £1040 - £1040

Rhodium: £1080 - £1080
Free Mkt: £1040 - £1040

Iridium: £1080 - £1080
Free Mkt: £1040 - £1040

Osmium: £1080 - £1080
Free Mkt: £1040 - £1040

Antimony: £1080 - £1080
Free Mkt: £1040 - £1040

Lead: £1080 - £1080
Free Mkt: £1040 - £1040

Zinc: £1080 - £1080
Free Mkt: £1040 - £1040

Nickel: £1080 - £1080
Free Mkt: £1040 - £1040

Cadmium: £1080 - £1080
Free Mkt: £1040 - £1040

Vanadium: £1080 - £1080
Free Mkt: £1040 - £1040

Chromium: £1080 - £1080
Free Mkt: £1040 - £1040

Manganese: £1080 - £1080
Free Mkt: £1040 - £1040

Iron: £1080 - £1080
Free Mkt: £1040 - £1040

Steel: £1080 - £1080
Free Mkt: £1040 - £1040

Alloy: £1080 - £1080
Free Mkt: £1040 - £1040

Cast: £1080 - £1080
Free Mkt: £1040 - £1040

Forged: £1080 - £1080
Free Mkt: £1040 - £1040

Welded: £1080 - £1080
Free Mkt: £1040 - £1040

INDICES

July 30 + or - Month 1985

Financial Times
July 30 + or - Month 1985

REUTERS
July 30 + or - Month 1985

DOW JONES
July 30 + or - Month 1985

COFFEE
July 30 + or - Month 1985

SUGAR
July 30 + or - Month 1985

POTATOES
July 30 + or - Month 1985

WHEAT
July 30 + or - Month 1985

BARLEY
July 30 + or - Month 1985

GRAINS
July 30 + or - Month 1985

WHEAT
July 30 + or - Month 1985

BARLEY
July 30 + or - Month 1985

GRAINS
July 30 + or - Month 1985

WHEAT
July 30 + or - Month 1985

BARLEY
July 30 + or - Month 1985

GRAINS
July 30 + or - Month 1985

WHEAT
July 30 + or - Month 1985

BARLEY
July 30 + or - Month 1985

GRAINS
July 30 + or - Month 1985

WHEAT
July 30 + or - Month 1985

BARLEY
July 30 + or - Month 1985

GRAINS
July 30 + or - Month 1985

WHEAT
July 30 + or - Month 1985

BARLEY
July 30 + or - Month 1985

INDICES

July 30 + or - Month 1985

Financial Times
July 30 + or - Month 1985

REUTERS
July 30 + or - Month 1985

DOW JONES
July 30 + or - Month 1985

COFFEE
July 30 + or - Month 1985

SUGAR
July 30 + or - Month 1985

POTATOES
July 30 + or - Month 1985

WHEAT
July 30 + or - Month 1985

BARLEY
July 30 + or - Month 1985

GRAINS
July 30 + or - Month 1985

WHEAT
July 30 + or - Month 1985

BARLEY
July 30 + or - Month 1985

GRAINS
July 30 + or - Month 1985

WHEAT
July 30 + or - Month 1985

BARLEY
July 30 + or - Month 1985

GRAINS
July 30 + or - Month 1985

WHEAT
July 30 + or - Month 1985

BARLEY
July 30 + or - Month 1985

GRAINS
July 30 + or - Month 1985

WHEAT
July 30 + or - Month 1985

BARLEY
July 30 + or - Month 1985

GRAINS
July 30 + or - Month 1985

WHEAT
July 30 + or - Month 1985

BARLEY
July 30 + or - Month 1985

OIL

Crude trading was very thin. Nymex WTI

loadings were neglected. Nymex WTI

loadings were neglected. Nymex WTI

loadings were neglected. Nymex WTI

loadings were neglected. Nymex WTI

loadings were neglected. Nymex WTI

loadings were neglected. Nymex WTI

loadings were neglected. Nymex WTI

loadings were neglected. Nymex WTI

loadings were neglected. Nymex WTI

loadings were neglected. Nymex WTI

loadings were neglected. Nymex WTI

loadings were neglected. Nymex WTI

loadings were neglected. Nymex WTI

loadings were neglected. Nymex WTI

loadings were neglected. Nymex WTI

loadings were neglected. Nymex WTI

loadings were neglected. Nymex WTI

loadings were neglected. Nymex WTI

loadings were neglected. Nymex WTI

loadings were neglected. Nymex WTI

loadings were neglected. Nymex WTI

loadings were neglected. Nymex WTI

loadings were neglected. Nymex WTI

PRECIOUS METALS

Steady reflecting a modestly weaker dollar but resistance

continued above the market

from dealer selling, reports

Helms Commodities. Copper

was under pressure on dis-

appointing liquidation

reflecting continued concern

over the build-up in LME

stocks. Aluminium was

slightly lower on the weaker

tone to sterling. Sugar was

mixed with position squaring

noted ahead of the EEC sell-

ing tender. Cocoa traded

moderately higher in feature-

less conditions, awaiting fresh

news over new crop prospects.

Coffee was mixed as good

supply availability off

"Recent Issues" and "Rights" Page 36
(International Edition Page 34)

This service is available to every Company dealt in on the
Exchanges throughout the United Kingdom for a fee of £200

—

Recognised for good taste throughout the world.
JOHN WALKER & SONS LTD, SCOTCH WHISKY DISTILLERS, KILMARNOCK, SCOTLAND.

ES

Continued on Page 11

جوابیہ

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Determined attempt to recover

A DETERMINED effort was made on Wall Street yesterday to recover the ground lost in Monday's selloff as the corporate reporting season offered much for investors to digest.

An opening weakness was steadily overcome so that by mid-session the broad market was barely changed.

By 3pm, however, the Dow Jones industrial average was up 2.13 at 1,345.99.

Massey Ferguson led the most active list with a 5% gain to \$24 while Texas Instruments, which fell 3% on Monday following poor results, regained its composite to rally 1% ahead to \$103 1/4.

Aerospace issues were active again as Lockheed, which suffered a 2% setback in the previous session, picked up \$1 to \$51 1/4 and McDonnell Douglas declined 1 1/4% to \$80 1/4. At the consumer end of the sector, Eastern Air Lines was actively bought with a 5% rise to \$9 1/4.

Computer and office equipment stocks were in demand as IBM shrugged off the previous day's fall to trade 5% higher to \$130 1/4 in high volume and Digital Equipment recovered only 1/2% of its previous decline to \$99 1/4.

Xerox, which reported strong second-quarter net profits, managed a 5% rise to \$52 1/4. Storer Communications, which re-

buffed a takeover approach from Comcast Corporation, lost 5 1/4% to \$85 1/4.

U.S. Steel, the largest steel group in North America, firmed 3/4% to \$30 1/4 in active trading after reporting its first increase in dividend since mid-1982.

AT&T held steady at \$21 1/4 despite its announcement of joint venture plans with Ricoh to market small telephone systems in Japan.

CBS picked up 5/4% to \$11 1/4 after Mr Ted Turner confirmed that he is trying to raise cash for a new bid for the broadcasting group.

On the American Stock Exchange, some of the most actively traded issues were unchanged: Wickes held at \$4, Wang Laboratories at \$17 and Texas Air at \$18 1/4. Hasbro managed a 5/4% rally to \$32 1/4 while Echo Bay dipped 3/4% to \$14.

Trading in the credit markets began quietly with investors still focusing on today's announcement from the Treasury of its latest quarterly refunding requirements. Analysts expect the planned sales of notes and bonds to total up to a record \$23bn.

Little reaction was seen to the wider \$13.42bn merchandise trade deficit in what was described as a thin market.

The Fed's announcement of matched sales and purchase agreements took many analysts by surprise. Fed funds were trading at 7 1/4% per cent when the Fed began its temporary drain of liquidity. Funds later traded at 7 1/4%. At the long end, the price of the 1 1/4% per cent bond of 2015 was down 1/4% to 103 1/4%.

Among the shorter maturities, yield on the three-month bill was higher at 7.25 while the six-month bill rose to 7.44.

In the money markets, rates of certificates of deposit were little changed.

EUROPE

Disinterest leads to retreat

THE RETREAT on the European bourses yesterday stemmed from the overnight setback on Wall Street which combined with thin levels of trading to produce sharp price falls in some centres.

Frankfurt led the overall decline as the Commerzbank index fell a further 11.8 points to 1,355.9 and export-oriented issues sustained another bruising session.

The dollar's downward path exposed leading carmakers - many of whom rely on the U.S. market for much of their overseas sales and profits - to another shakeout. Porsche fell DM 10 to DM 1,235 while Volkswagen suffered a proportionally more acute drop of DM 6 to DM 282. Daimler finished the session DM 5 cheaper at DM 819 ex-dividend.

Other blue chips to lose out were banks as Dresdner surrendered DM 5.50 to DM 281.50 and Deutsche Bank lost DM 4 to DM 553.50.

The absence of local support due to the current holiday season diluted interest and aggravated falls in other sectors. Allianz lost a hefty DM 57 to DM 1,295 while associate insurer Munich Re retreated DM 45 to DM 1,835.

In heavy engineering Linde turned DM 8.50 cheaper to DM 484 ex-rights and GHH finished DM 5.50 off at DM 159.

One of the few bright spots was the stores sector which resisted the sharp falls suffered elsewhere. Herten managed a DM 2.50 rally to DM 184 as Kaufhof and Karstadt held steady at DM 256.50 and DM 230 respectively.

Bond prices fell as much as 25 basis points in quiet trading amid news that the Finance Ministry had cut yields on several standing bond issues. The Bundesbank bought DM 72.8m in paper after Monday's sales of DM 4.8m.

Profit-taking took hold of banks and financials in a weaker Zurich as the recent consolidation phase continued. Exporters were particularly sensitive to currency fluctuations as Brown Boveri lost SwFr 60 to SwFr 1,650 and recently favoured Nestlé shed SwFr 100 to SwFr 6,880. Sandoz retreated SwFr 25 to SwFr 1,385 while Swissair weakened SwFr 50 to SwFr 1,335 on results.

Swiss Bank was marked SwFr 9 lower to SwFr 475 and Winterthur, which was noticeably weak on Monday, gave up a further SwFr 100 to SwFr 4,375. Leading banks cut their customer time deposit rates by 1/4 percentage point to 4% effective today.

Amsterdam closed lower despite a firm undertone and continued pressure on international. The ANP-CBS General index slipped 0.8 to 217.0 as Royal Dutch shed Fl 2.10 to Fl 195. Akzo resisted the downturn as optimistic boardroom comments convinced investors of the long term profitability of the fibres group, which finished the session Fl 2.80 higher at Fl 123, a new high for the year.

Unilever retreated Fl 1 to Fl 346.50 although Philips picked up 10 cents to Fl 47.70.

Nedlloyd found strong support and the shipper closed Fl 3 ahead at Fl 177.50.

Bonds were largely unchanged although foreign buyers entered the market on a very selective basis.

Light trading also featured in Madrid. Easier banks moved against the firmer trend as Banco Popular suffered a fall of 11 percentage points to 330 per cent of nominal value. Banco Bilbao lost 3 points to 350 per cent. BHA dipped 2 points to 148 per cent. Banco Espanol de Credito picked up 1 point to 360 per cent.

Paris suffered from strong institutional selling while Brussels tended mixed in light trading. Milan languished in a holiday mood and a lacklustre Stockholm saw most leading industrials retreat.

CANADA

TORONTO stocks continued their slide, affected by Monday's 22 point drop in the composite index and mirroring Wall Street's overnight performance.

Among actives, Inco fell C\$4 to C\$20. Majestic Contractors rose 5 cents to C\$4.40 and International Thomson was unchanged at C\$8 1/4.

Southern, also active, gained C\$1 to C\$65. The company reported lower second-quarter operating profit.

Industrials moved ahead in Montreal, while banks and utilities tended lower.

SINGAPORE

AFTER two weeks of strong gains, Singapore turned lower. Trading was hampered by a mid-afternoon failure of the stock exchange computer and this brought activity to a standstill for the rest of the day.

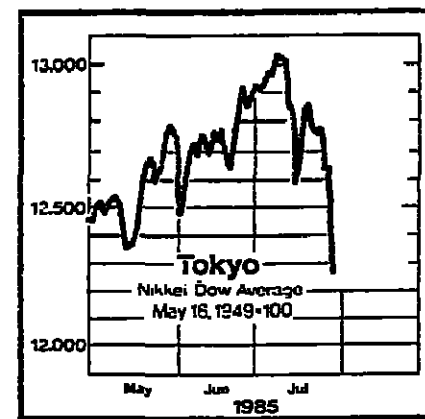
Among stocks to suffer from profit-taking were Cycle & Carriage, down 6 cents at S\$2.56, Haw Par off 5 cents at S\$2.18, Cerebos down by the same amount to S\$1.95 and Pan-Electric 4 cents lower at S\$2.20.

SOUTH AFRICA

IN THE wake of a weaker bullion price, gold shares ended easier in Johannesburg, pulling most shares down with them.

Vaal Reefs fell R7 to R183, Buffels R1.75 to R61.50 and Driefontein 50 cents to R42.

Industrials also tended lower.



TOKYO

Decline in confidence triggers fall

FLAGGING investor confidence combined with heavy selling by a major life insurance company sent share prices sharply lower in Tokyo yesterday with bank, hidden-asset, and large capital stocks leading the way, writes Shigeo Nishitani of Jiji Press.

The Nikkei-Dow market average fell 321.53 points, its second largest ever one-day loss, to close at 12,269.89. With many investors moving to the sidelines, volume fell sharply to 464m shares from Monday's 678m. Declines outnumbered advances by 695 to 148 with 101 issues unchanged.

The setback was triggered early in the morning by heavy share selling by Sumitomo Life Insurance while investors were still preoccupied with Monday's decline in bank stocks, due mainly to Nippon Life Insurance's decision not to cooperate in Dai-ichi Kangyo Bank's new share issues.

Sumitomo explained that it had sold only a little more than 2m shares in gas, trading and property companies which it had acquired through "specific money trust accounts" with trust banks.

The reaction was because buying by corporations with surplus liquidity, particularly through such trust accounts, has led the market since last spring. Even so, the across-the-board decline stemmed from small-lot sales, and follow-through selling by other corporations was not evident.

Price falls were particularly sharp for high-ranking city banks planning to

raise large amounts of capital by October. Fuji Bank lost Y120 to Y1,600 and Sumitomo Bank the same amount to Y1,880. Dai-ichi Kangyo Bank shed Y90 to Y1,610. Mitsubishi Trust and Banking moved the maximum Y200 down to Y1,290. Other trust banks and non-life insurance firms also eased. Nomura Securities moved Y90 down to Y1,220.

Elsewhere, domestic demand-related shares lost ground. Among hidden-asset issues, Mitsubishi Estate fell Y39 to Y880 and Nippon Express Y44 to Y450. Penta-Ocean Construction Y20 to Y430, and Ohbayashi Corporation Y22 to Y378.

Moving against the trend, Sato Kogyo rose Y18 to Y458, topping the active list with 31.85m shares. Sumitomo Construction also climbed Y27 to Y355 on speculative buying, second most active with 21.22m shares traded.

Among big-capital issues, Nippon Steel, third most active with 18.93m shares traded, lost Y6 to Y172. Mitsubishi Heavy Industries Y13 to Y332 and Tokyo Electric Power Y100 to Y2,080.

Some biotechnology-related issues fell back, with Dainippon Pharmaceutical slipping Y20 to Y2,230. Blue-chip stocks also eased on small-lot selling.

The bond market weakened in a bound of selling by city banks, trust banks and securities firms amid growing concern about continued falling bond prices in the U.S. The yield on the benchmark 6.8 per cent government bond due in December 1994 jumped to 6.48 per cent from Monday's 6.415 per cent.

AUSTRALIA

DESPITE another day of sharp gains for gold stocks in Sydney, most prices ended easier, discouraged by currency fears and poor performances overseas.

The gold index rose another 15.4 to a record 1,041.3. However, the All Ordinaries index eased by a marginal 1.2 to 933.5.

Gold miners continued to be bought by overseas investors withdrawing funds from South Africa. Higher international bullion prices were also an incentive.

Central Norseman rose 10 cents to A\$9.80, GMK 40 cents to A\$11.00, Meta-10 cents to A\$3.25 and Renison 10 cents to A\$5.20.

Repsco, the car parts group, was keenly sought with more than 3.5m shares changing hands at the steady price of A\$1.29. Rumours circulated that Ariadne may be about to launch a takeover bid.

Among miners, BHP eased 3 cents to A\$6.82, CRA 4 cents to A\$8.12 and MIM 5 cents to A\$2.85 while CSR added 2 cents to A\$3.18 and Bell Resources 6 cents to A\$7.26.

LONDON

Hopes rise for a further cut in rates

HOPES that the trend towards lower interest rates would continue kept London moving higher yesterday, supported by sterling's resilience in the wake of Monday's reduction in bank borrowing charges.

Dealers were also hoping that the next set of money supply figures, due to be announced on Tuesday, would be more favourable.

Details of the Government's £450m sale of its remaining 48.8 per cent stake in Britoil, with shares offered at 185p, failed to disturb sentiment. Britoil shed 5p to 200p.

The subsequent announcement of NatWest's interim results did check the market's progress, however, and the share dropped 25p to 685p. The group's profits fell well short of estimates.

The FT Ordinary index finally settled up 3.6 for a two-day gain of nearly 12 points at 936.0.

Government securities also improved initially and selected stocks rose 1/2% before easing from the day's best. Long-dated gilts were unusually neglected and often shed early improvements to close with scattered net losses.

Chief price changes, Page 35; Details, Page 34; Share information service, Pages 32-33

HONG KONG

RESUMING after Monday's holiday, Hong Kong turned mixed on late selective buying after opening easier on profit-taking after recent rallies.

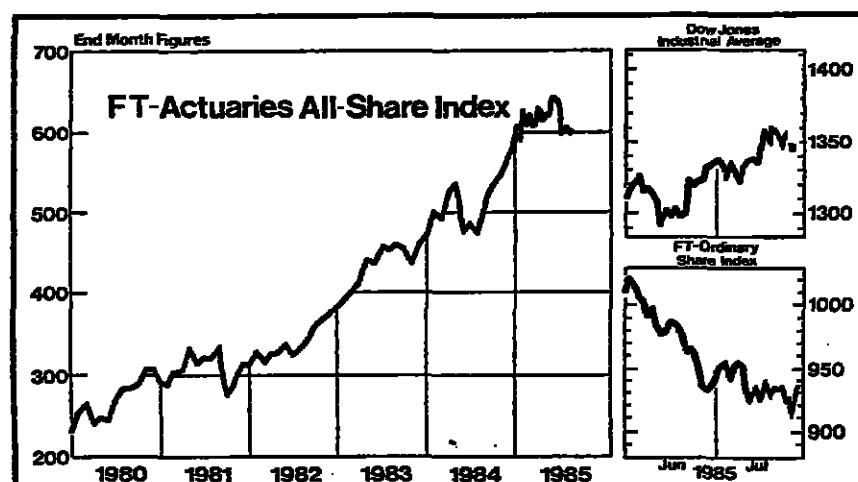
The Hang Seng index failed to pierce the 1,700 level and ended only 2.86 up at 1,686.24.

Among properties, Cheung Kong rose 10 cents to HK\$18.00, Hongkong Land was unchanged at HK\$6.45 and Sun Hung Kai Properties shed 20 cents to HK\$12.90.

In banks, Hang Seng Bank added 25 cents to HK\$47.50 and Hongkong Bank 15 cents to HK\$7.90. Bank of East Asia slipped 10 cents to HK\$23.40.

Elsewhere, China Light fell 30 cents to HK\$16.00 and Hutchison Whampoa 20 cents to HK\$26.80. Jardine Matheson was unchanged at HK\$12.90.

KEY MARKET MONITORS



STOCK MARKET INDICES				
	July 30	Previous	Year ago	
NEW YORK				
DJ Industrials	1,345.99	1,343.86	1,109.98	
DJ Transport	681.06	679.73	487.35	
DJ Utilities	158.03	155.25	123.84	
S&P Composite	189.93	189.60	150.19	
LONDON				
FT Ord	936.0	932.4	790.5	
FT-SE 100	1,252.3	1,248.9	996.5	
FT-A All-share	603.46	601.91	474.83	
FT-A 500	658.76	656.25	511.14	
FT Gold mines	335.9	342.1	497.3	
FT-A Long gilt	10.11	10.09	11.37	
TOKYO				
Nikkei-Dow	12,269.89	12,591.42	10,013.60	
Tokyo SE	1,006.1	1,044.30	785.10	
AUSTRALIA				
All Ord.	933.5	934.7	682.3	
Metals & Mins.	552.0	550.9	409.7	
AUSTRIA				
Credit Aktien	94.69	96.01	53.42	
BELGIUM				
Belgian SE	2,325.40	2,327.23	—	
CANADA				
Toronto				
Metals & Mins	2,083.0	2,108.18	1,710.00	
Composite	2,771.1	2,782.40	2,136.40	
Montreal				
Portfolio	136.24	137.37	104.53	
GERMANY				
SE	n/a	216.48	185.7	
FRANCE				
CAC Gen	213.2	215.2	158.9	
Ind. Tendence	121.4	122.9	85.04	
WEST GERMANY				
FAZ-Aktien	461.88	465.82	326.00	
Commerzbank	1,355.9	1,367.7	943.5	
HONG KONG				
Hang Seng	1,686.24	1,683.85	802.68	
ITALY				
Banca Com.	353.03	354.05	207.24	
NETHERLANDS				
ANP-CBS Gen	217.0	217.8	148.5	
ANP-CBS Ind	184.4	185.2	122.1	
NORWAY				
Osko SE	345.29	347.38	246.35	
SINGAPORE				
Straits Times	773.98	777.45	932.60	
SOUTH AFRICA				
JSE Golds	—	902.6	837.0	
JSE Industrials	—	966.3	829.1	
SPAIN				
Madrid SE	101.85	111.78	94.26	
SWEDEN				
J & P	1,382.79	1,353.55	1,499.50	
SWITZERLAND				
Swiss Bank Ind	457.6	464.9	359.1	
WORLD				
Capital Int'l	220.3	220.9	168.6	
GOLD (per ounce)				
London	\$326.75	\$328.25		
Zurich	\$324.90	\$326.75		
Paris (filing)	\$324.44	\$323.55		
Luxembourg	\$324.00	\$322.40		
New York (Aug)	\$324.00	\$324.20		

* Latest available figure

CURRENCIES					
	U.S. DOLLAR		STERLING		
(London)	July 30	Previous	July 30	Previous	
\$	—	—	1.423	1.428	
DM	2.817	2.819	4.0	4.03	
Yen	237.3	237.1	336.75	338.5	
FFr	6.57	6.595	12.175	12.285	
SwFr	2.2955	2.288	3.2575	3.27	
Guilder	3.157	3.1755	4.4975	4.5325	
Lira	1,892.5	1,897.0	2,683.0	2,707.0	
BP	56.85	56.85	80.8	81.25	
CS	1.3509	1.349	1.9225	1.9255	
INTEREST RATES					
Euro-currencies (3-month offered rate)		July 30		Prev	
£		11½%		11½%	
SwFr		4¾		4¾	
DM		4¾		4¾	
FFr		11½		11½	
FT London Interbank fixing (offered rate)					
3-month U.S.\$		8½%		8½	
6-month U.S.\$		8½		8½	
U.S. Fed Funds		7½¾		7½	
U.S.\$ 3-month CDs		7.80*		7.90	
U.S.\$ 3-month T-bills		7.25*		7.24	
U.S. BONDS					
Treasury		July 30*		Prev	
		Price	Yield	Price	Yield
8%	1987	99¾	9.01	99¾	9.01
10%	1992	99½	10.477	99½	10.50
11%	1995	103¾	10.639	103¾	10.65
11%	2015	104½	10.78	104½	10.79
Corporate		July 30*		Prev	
		Price	Yield	Price	Yield
AT & T					
10% June 1990	100%	10.11	100%	10.11	
3% July 1990	80½	8.80	80½	8.80	
8% May 2000	83½	11.10	83½	11.10	
Xerox					
10% March 1993	96.85	11.30	96.85	11.30	
Diamond Shamrock					
10% May 1993	96.535	11.35	96.535	11.35	
Federated Dept Stores					
10% May 2013	83½	11.10	83½	11.10	
Abbot Lab					
11.80 Feb 2013	101	11.75	101	11.75	
Alcoa					
12% Dec 2012	100.50	12.25	100.50	12.25	
Source: Salomon Bros					
FINANCIAL FUTURES					
CHICAGO		Latest	High	Low	Prev
U.S. Treasury Bonds (CBT)					
8% 32nds of 100%					
Sept	74-11	74-31	74-08	74-20	
U.S. Treasury Bills (TBM)					
\$1m points of 100%					
Sept	92.62	92.74	92.58	92.68	
Certificates of Deposit (CDE)					
\$1m points of 100%					
Sept	91.88	92.03	91.87	91.95	
LONDON					
Three-month Eurodollar					
\$1m points of 100%					
Sept	91.68	91.71	91.58	91.61	
20-year National Gilt					
£50,000 32nds of 100%					
Sept	113-17	113-25	113-10	113-25	
COMMODITIES					
(London)		July 30		Prev	
Silver (spot fixing)		438.40p		437.45p	
Copper (cash)		£1,081.00		£1,085.00	
Coffee (Sept)		£1,540.00		£1,529.00	
Oil (spot Arabian light)		\$27.10		\$27.10	